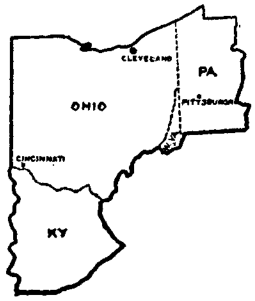
MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 21 | Cleveland, Ohio, January 31, 1939 | No. 1

Developments in trade and industry in the fourth district in the first three weeks of January were chiefly seasonal and about in line with earlier trade expectations. December data reveal that changes in that month were also about seasonal, although for the fourth quarter as a whole substantial recovery was experienced in nearly every industry of the district, both large and small. As a result, the current year, in some respects at least, started under more favorable conditions than was true of 1938. Many factors generally regarded as having a retarding effect have not been entirely removed from the path of business, but they are modified by other elements of a slightly more favorable nature.

Employment gains, slightly in excess of, or contrary to, seasonal movements of other years, were recorded in Ohio and Pennsylvania, as well as in the entire country in December. Thus the rising trend prevailing since last August was continued. In Ohio the number employed was greater than in any month of the year, although still under the closing period of 1937. Payrolls expanded by a larger amount in December over November than did the number employed, reflecting further gains in hours worked. This factor is important to consumers goods industries. Department store sales in December were up more than seasonally from November, were slightly above 1937, and when allowance is made for the fact that retail prices are about four percent lower now than a year ago, it is evident that the Christmas selling season was only exceeded on two or three previous occasions. Sales in December were 0.7 percent larger than in the last month of 1937. Other fields of retail distribution in December also recorded gains. Passenger car registrations in principal counties were up 50 percent from the previous year, and there was a slight gain over November. Wholesale trade also improved in some lines.

There seemed to be more of a disposition to add to inventories than for some time. Department stores, even though sales increased more than seasonally in December, reduced their stocks by less than the usual amount. Despite this relative gain, inventories at the year end were still 14 percent smaller than at the close of 1937. Manufacturers of shoes, clothing, china and glassware, and furniture, all reported more advance orders on hand than for some time, and also better attendance at the various trade shows in January than a year ago. Orders placed were also reported in larger volume than at that time.

In the industrial field the situation was rather mixed and not enough time has elapsed this year to determine the underlying trend with any assurance. Reports of increased buying in several fields have recently been received. Machine tool orders in January were reported holding at the December rate, with domestic purchases accounting for a proportionately larger share than was true in most months of 1938. Structural steel orders have been in good volume, and rail buying so far this year has been well ahead of the 1938 weekly average. Much of the construction work for which contracts were awarded late in 1938 remains to be done. Such awards in December were larger than since 1926, and the gain over the previous year was 49 percent. While much of the recent activity was a result of Federally-financed construction, residential building held up better in the fourth quarter than in other recent years.

Steel ingot production in December was more than double the previous year, although it declined more than seasonally from November. The operating rate receded moderately in the first three weeks of January, but remained 20 points higher than a year ago.

In the automobile field reports were confusing. Weekly production advanced in January and was more than 50 percent ahead of early 1938. Retail sales in the first ten days of the month were reported larger than expected. Inventory data that are available, while indicating a much better situation than a year ago, show that stocks of both new and used cars have accumulated. Parts plants reported January releases down 10 to 15 percent from December.

Coal mining held relatively steady in recent weeks and was in excess of last year, despite the moderate demand for household fuels. Electric power produced in the latest month was 1.2 percent greater than in the corresponding period of the previous year.

FINANCIAL

Developments at the Cleveland Federal reserve bank and at member banks during the last month continued to reflect ease in the money market. Bills discounted for member banks declined in the four weeks ended January 18 to the lowest level in nearly two years. Federal reserve notes were returned from circulation in about the usual post-Christmas volume, and member bank reserves increased slightly to an amount estimated to be 51 percent in excess of requirements. Repayments of loans at banks in leading cities of the district continued to exceed new borrowings, and total outstanding loans declined. These banks increased their holdings of United States Government securities to the highest level in 15 months.

Member Bank Credit Changes in weekly condition figures of reporting banks located in important cities of the fourth district are usually interpreted as being representative of all member banks, for, although only 41 in number, they account for about two-thirds of the loans and investments of all member banks in this district. Quarterly call reports for all member banks, however, indicate that the large and smaller banks experienced quite different trends during the past year. The table below gives separate figures for selected items from condition reports of banks reporting weekly, and those which report only quarterly. Data for the weekly reporting banks pertain to the Wednesdays nearest the call dates, whereas figures for the other banks were obtained by deducting the nearest weekly data from figures pertaining to all member banks on call dates. The December 31, 1938 data are preliminary.

MEMBER BANKS — FOURTH DISTRICT

(Millions of Dollars)

Weekly Reporting Member Banks

	Dec. 29 1937	Mar. 9 1938	June 29 1938	Sept. 28 1938	Dec. 28 1938
Loans and Discounts	712	704	679	653	644
Total Securities	1,116	1,086	1,082	1,161	1,203
U. S. Gov't Obligations*	858	831	826	881	926
Other Securities	258	255	256	280	277
Total Loans and Investments	1,828	1,790	1,761	1,814	1,847
Total Deposits	2,140	2,114	2,144	2,187	2,236
Number of Banks	40	40	41	41	41

All Other Member Banks

	Dec. 31 1937	Mar. 7 1938	June 30 1938	Sept. 28 1938	Dec. 31 1938
Loans and Discounts	379	380	388	389	385
Total Securities	565	559	525	536	537
U. S. Gov't Obligations*	287	288	264	271	273
Other securities	278	271	261	265	264
Total Loans and Investments	944	939	913	925	922
Total Deposits	1,212	1,164	1,177	1,168	1,186
Number of Banks	582	582	582	583	583

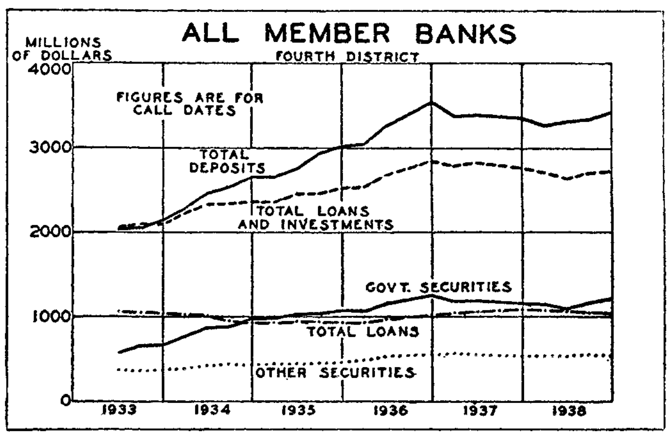
*Includes direct and/or fully Guaranteed Securities.

The accompanying chart shows that total loans and discounts of all member banks in the fourth district decreased nearly six percent during the past year. The table, however, reveals that the full amount of this loss was experienced at larger city banks. Country banks increased their loans during the period. The chart also shows that all member bank holdings of Government and miscellaneous securities, after declining in the first half of the year, rose almost to the peaks reached at the end of 1936. The table, on the other hand, indicates that only the large city banks expanded their security portfolios during the past twelve months. So-called country banks reversed a downward trend in the last two quarters of the year, but total security holdings of the group, at the close of 1938, were five percent lower than at the beginning. Deposit trends were very similar to those displayed by investments, showing a net gain at weekly reporting banks, and a net loss at other institutions.

Federal Reserve Operations Total earning assets of the Federal Reserve Bank of Cleveland averaged $250,859,000 in 1938, of which over 99 percent was United States Government obligations. Assets were increased $2,000,000 over 1937, as a result of reallocation of the System's holdings of Government securities by the Open Market Committee. Nevertheless, a fall from 1.60 to 1.39 percent in the average yield obtained on these investments and loans reduced total earnings in the year by one-eighth. Profits from the sale of U. S. Government obligations amounted to $816,000. Only $10,000 were earned on loans and rediscounts to member banks, which were made at the rate of 1½ percent throughout the year. The total volume of such loans fell from $22,000,000 in 1937 to $13,000,000 in 1938. The number of borrowing banks, however, increased from 43 to 48. No trade or bankers' acceptances were purchased or paper rediscounted secured by bills of lading. Nearly all credit extended to member banks was on collateral notes secured by U. S. Government securities. Loans made directly to industry under Section 13b of the Federal Reserve Act, increased from $319,000 in 1937 to $369,000 in 1938, and commitments to make advances rose from $729,000 to $2,131,000. Net earnings, amounting to $1,069,626.59 were disposed of as follows: paid to member banks as dividends on stock held by them, $799,145.05; paid to the Federal Government under Section 13b of the Federal Reserve Act, $227.04; credited to reserves for losses and contingencies, $270,254.50.

MANUFACTURING, MINING

Iron and Steel Operations in the iron and steel industry since the beginning of the year have fluctuated in a rather narrow range, below the level of November and part of December, but about 20 points above the rate for the entire industry a year ago at this time. The seasonal movement in steel production in years when new automobiles were first shown in January, allowed for an increase of around seven percent between December and January. Now with the new model stimulus to the steel industry occurring from two to three months earlier than was formerly the case, the seasonal movement has been changed, but as yet insufficient data are available to determine with any accuracy what the new seasonal trend might be. Current purchases by the auto industry were further affected by the fact that large quantities of steel were contracted for last October when price concessions were available, so that early January orders were reported small in relation to the assembly rate. Toward the month end, however, there were signs of larger inquiries from this source, following reports that new car sales were holding up better than expected. In both 1936 and 1937, two reasonably good years in the



steel industry, January demand was relatively light in comparison with December and February.

Railroads have been somewhat more active, necessity forcing buying of rails and rolling stock in spite of low financial resources. Some moderate tonnages of rails have been placed and some larger lots are pending. Court permission has been granted to a number of roads in receivership to proceed with car programs. However, despite recent gains, total new business is considerably below most former years.

Bookings of fabricated structural shapes are considerably higher than in 1938, the weekly average for January being more than 50 percent above last year. Much of this is for public projects on which the deadline for starting work was December 31. Tin plate production is at about 45 percent of capacity with prospects for increased releases shortly to provide for spring packing needs.

Steel production in the Cleveland and Pittsburgh districts since the first of the year has been fairly steady, although below the level of November and part of December. At Cleveland mills the rate in November was 77 to 79 percent of capacity, declining to 50 percent at the year end, and rising to 60 near the close of January. The Pittsburgh district operated at 45 to 52 percent in November, ended the year at 26 percent, and in January was producing at 42 to 46 percent. Youngstown dropped from 65 percent in early December to 32 at the year end, recovered to 55 and then receded to 49 percent of capacity. At Wheeling, except for the holiday adjustment, the rate has remained above 60 percent, while at Cincinnati it has receded from 72 percent on January 7 to 55 percent on January 21.

Hesitancy is evident in the attitude of many steel consumers who are buying from hand to mouth. Inasmuch as mills now can make practically any delivery, little incentive exists to cause accumulation of stocks. Warehouse steel sales, usually relatively small quantities or special grades, were running 10 to 15 percent larger in January than in December, a further reflection of buying only for immediate needs.

Final production figures for 1938 show steel ingot and pig iron production was the smallest for any year since 1934. Contraction during the latter half of December upset earlier expectations, and most estimates for the year were above actual performance. Steel ingot output was 27,839,261 gross tons, compared with 49,502,907 tons in 1937, a decline of about 44 percent. Pig iron production in the year was 18,889,663 gross tons, compared with 36,709,139 tons in 1937, a drop of 49 percent.

Coal There was a slight seasonal decline in coal production in December, both in this district and the entire country, but weekly activity showed less fluctuation over the holiday period than in other recent years. In the first two weeks of January, output was somewhat in excess of early 1938, although it was slightly under the December level. In this district, December mine production was 12,987,000 tons, a gain of 4.7 percent over December 1937, but this represented 35.8 percent of the entire country's output compared with 33 percent a year ago.

Demand for coal from domestic users has been retarded by the relatively moderate weather during most of the season, but there has been an increase in takings by industrial users. There is some evidence that industrial stocks are being augmented in anticipation of the time when the Coal Code again becomes effective, and also the expiration of the miners' wage agreement at the end of the coal year on March 31. On December 1, industrial coal stocks were reported at 33,325,000 tons, a gain of 6.4 percent in the latest month. This compared with 40,016,000 tons on the corresponding date in 1937. In terms of consumption, the current supply is sufficient to last 40 days, compared with 44 days a year ago. Steel mills and railroads had 24 days' supply, while electric utilities had 72 days' supply on hand.

Conditions are not uniform throughout the coal areas of the district. Some mines are idle; others are working two to three days a week, while a few are operating full time. Competition is keen and prices are very low, in relation to cost.

Automobiles The usual decline in purchases of both new and used cars at this season of the year apparently has developed, although the extent of the contraction in early January from the December level was reported less than expected. This is reflected, to some extent, in assembly field developments, but year-end and holiday interruptions and adjustments and other factors make it difficult to judge accurately the underlying trend. It is reported that auto manufacturers are varying assemblies with actual sales, so far as possible, in an effort to avoid building up large stocks now that dealers have been supplied and the early demand for new cars has been satisfied. Parts makers in this area reported January releases down 10 to 15 percent from December, but comparison with last year at this time shows considerable variation. In some instances, where a sharp curtailment had already been effected early in 1938 and inventories were large, the current level of operation shows a sizable increase. In other cases the gains are more moderate. At Ohio auto parts plants the December employment index was 9.8 percent higher than in November, but in comparison with December 1937 it was still more than 20 percent. Payroll figures and employee-hour data, however, show larger relative gains from the low point last year than are revealed by employment comparisons.

The four percent gain in automobile production in December over November was slightly greater than estimated seasonal change, and the index of daily average output rose three points to 99 percent of the 1923-25 average. Compared with December 1937, passenger car production rose 33 percent, but truck output fell 24 percent, a combined gain of 19 percent. While the rise in truck assemblies in recent months has been about proportionate to the increase in passenger car output, the relatively poor current comparison with 1937 is accounted for by the fact that truck production held up much better a year ago than did other automotive lines. For the entire year, truck assemblies were off 45 percent from 1937, while passenger car production was off 49 percent. Total output for the year was 2,490,000 units, a drop of 48 percent from 1937 and the smallest since 1933. It was reported that new car inventories increased about 65,000 during December, but at the beginning of 1939 they were estimated to be nearly 150,000 less than a year previous. In the first three weeks of January assemblies averaged

85,000 units, according to *Ward's* reports, with a gain being shown each week. In January 1938 output was 210,000 cars.

Used car inventory data are very limited. However, a recent survey from 725 dealers making five percent of 1938 sales, indicated used car stocks were down 18 percent from last year, but 61 percent of those reporting considered the supply as excessive, and dollar inventories were reduced less proportionately than units. This reflected a larger percentage of late model cars.

There were slightly more new car registrations in leading counties of the district in December than in November, and the number reported was the largest since September 1937.

Rubber, Tires The favorable upward trend in the rubber industry evident since February last year, after allowing for seasonal changes, continued unabated through December, and there were reports of further slight gains in the first half of January, although a leveling-off also was evident. In the fourth quarter, tire demand from auto assembly plants exceeded expectations and there were, in addition, heavy tire shipments to dealers and distributors for replacement use. Demand for rubber products, other than tires and tubes, also improved quite sharply in the last half of 1938, and this branch of the industry accounts for an important share of present rubber consumption. One company estimated that 29 percent of the 1938 sales volume represented rubber products which were not made ten years ago.

Replacement tire demand was extremely heavy in the last half of 1938. Allowing for seasonal conditions, it was reported better than in any period since 1932, with the exception of the latter part of 1936 and early 1937 when price advances were being made. In the entire year replacement sales were reported slightly ahead of 1937 so that all of the 26 percent decrease in annual tire production in 1938 was due to the contraction in automobile assemblies. While sales of tires to auto manufacturers showed considerable improvement in the closing months of last year, for the entire twelve months they were about half as large as in 1937.

December tire production, according to the *Rubber Manufacturers' Association,* was 4,679,000 casings. This was an increase over November of 13 percent, but compared with December 1937 the gain was 64 percent. In the entire year, total tire output was reported at 40,026,000 casings, a decrease of 25 percent from 1937. Shipments from manufacturers in the year, however, exceeded output by 2,369,000 casings, and inventories consequently were reduced by that amount and were at the lowest level since August 1936.

Employment at Ohio rubber factories increased two percent in December over November, but payrolls rose over six percent in the same period. The number employed was at the highest level since January, but since there was a sharp contraction from December 1937 to January 1938 the current index was about 13 percent lower than a year ago and 66 percent of the 1926 base period.

December crude rubber consumption in the entire country was 45,315 tons, a gain of 55 percent over the previous year. There was only a slight drop from November, and, with that exception, December was the best month since June 1937. In the entire year 1938, consumption of crude rubber, at 411,363 long tons, was 24 percent behind the year 1937, but the improvement in the rubber industry in the last half of the year was so marked that fourth quarter consumption exceeded the comparable period of 1937 by 29 percent. Domestic rubber inventories at the year end were 245,413 long tons, a decline of 56,000 tons from the peak last April. The December figure was the first in 15 months to be smaller than on the comparable date of the year preceding.

Clothing Reports concerning the clothing industry indicate that it started the year 1939 in much better position than was true of 1938. A year ago retail demand was declining, stocks were large, advance ordering of clothing by retailers was limited and, so far as textiles were concerned, the showing of 1938 fall materials had been indefinitely postponed. Employment was about 20 percent under the previous year. A depressed condition prevailed until almost the middle of 1938 in the production field. At that time a reversal of trend occurred and an almost continuous upward movement has since prevailed. Apparel wool consumed in the entire country has more than doubled and in November 1938, the latest period for which information is available, it was 122 percent in excess of the corresponding month in 1937. These gains in late 1938 did not counteract entirely the limited consumption early in the year, so that for the entire period wool consumption was off between 15 and 20 percent from 1937. In the latest month, however, it was reported by the *National Association of Wool Manufacturers* to be nearly 30 percent above estimated normal.

Advance ordering of clothing from manufacturers and textiles from weavers this season has been in rather large volume. In the fall of 1937 and the spring of 1938 it was quite limited. Local plants, both clothing and textile, were operating at a high rate in mid-January. Employment in December was 3 percent ahead of November, and about 4 percent above December 1937. Payrolls, however, increased seven percent in the men's clothing field in the latest month over the one preceding.

Inventories of both raw materials and finished clothing are conservative, it is reported. At fourth district department stores, December wearing apparel sales were larger than in December 1937. Sales of women's ready-to-wear were up more than two percent in dollar volume, and allowing for the fact that prices were lower by nearly five percent, the volume of merchandise sold was probably six to seven percent greater than a year previous. Men's clothing sales were slightly larger than in December 1937 when allowance is made for price differences. Clothing inventories were 10 to 20 percent smaller at reporting stores at the year end than at the end of 1937.

Other Manufacturing Business sentiment seemed moderately optimistic in mid-January in many of the smaller industries of the district, even though the marked increases which occurred in the last quarter of 1938 were not continuing. Year end, holiday, and inventory period adjustments generally result in a seasonal contraction. A year ago at this time the falling-off was most severe, so that as a result of the expansion in the fall and early winter of 1938 current comparisons are quite favorable in some cases, even though most lines are still below what might be regarded as normal levels. Just as employment lagged behind production in the downward adjustment, it has not improved to a degree comparable with the recent rise in output. Both employment and payrolls gained in December, and while there was evidence of increases in the first half of January, data for that period are meager at this time.

In the china and pottery field, operations in early January were reported to be between 80 and 85 percent of capacity, whereas a year ago they were between 50 and 60 percent. Attendance at the annual Pittsburgh china and glass show was said to have been better than last year, and manufacturers of domestic dinnerware obtained orders substantially ahead of those placed in the 1938 display week.

Glass production in mid-January was at a good rate, considering the season, and the industry was much more active than in early 1938. Inventories are down generally. December plate glass production was 42 percent in excess of the preceding year, although down 1.5 percent seasonally from November. The entire year's output, at 85,726,000 square feet, was less than half as great as in 1937. Window glass production in the last month of 1938 was five percent ahead of November, and 13.6 percent in excess of December 1937; this branch of the industry was operating at 62 percent of capacity at the year end. Glass inventories are being kept down, generally, according to reports. At Ohio glass plants, employment in December was about on a par with the previous year.

Makers of electrical equipment reported December sales at the highest level of the year, and also about equal to December 1937, but for the entire year sales were down 30 to 35 percent. In that period, however, inventories were reduced. Wholesalers of electrical supplies in this district at the year end had 40 percent smaller stocks than on the corresponding date of the previous year. Stocks of refrigerators and other electrical supplies at department stores were down 42 percent. Ordering in January to replace these depleted inventories was reported in larger volume than in 1938.

Wholesale hardware sales in December were five percent smaller than in the previous year, with sales of industrial supplies off 16 percent. Makers of small tools report January sales running about 25 percent above last year with engineering appliance sales and shipments equal to or slightly in excess of a year ago. Foundry equipment orders placed in December were 58 percent larger than in November, and 28 percent ahead of December 1937. This was the first increase in orders on hand since last March. The *National Machine Tool Builders' Association* reported orders received in December as the best since October 1937. Closing of accumulated inquiries from domestic sources accounted for the gain, and the month's index was within ten points of the average of 1929.

Shoe production in December was ten percent in excess of December 1937 at fourth district factories, and gains in the closing months of the year partly offset earlier large declines, so that in all 1938 local plants produced only 6.6 percent fewer shoes than in the previous year. In December, employment at shoe factories was up 3.8 percent over November, and payrolls were larger by 18 percent. Seasonal factors were responsible in part for the changes, but advance ordering of spring footwear has been in rather large volume, in comparison with other years. Demand for immediate delivery is greater than usual at this season. Inventories of both leather and finished footwear are smaller than a year ago.

Paper and boxboard plants stepped up operations in January to a level slightly under that prevailing prior to the holiday reduction. Paper prices have been advanced $3 to $4 a ton effective February 15, making the total advance on Kraft paper $8.25 since November. Boxboard markets were strong, but steady, in the third week of January. December, usually a poor month in the boxboard industry, was an exception to the rule. In fine papers, December sales were reported 30 percent larger than in the previous comparable period.

TRADE

Retail

Dollar volume of sales reported by department stores in the fourth district was 70 percent larger in December than in November. This was greater than the usual Christmas gain, and the department store sales index rose from 88.2 to 92.8 percent of the 1923-25 base. The table on page seven indicates that for these stores the 1938 Christmas season was one of the best in several years, for December sales were slightly higher than in 1937, and were only four percent under 1936, when dollar volume was larger than in any year since 1929. Retail prices in December, as reported by *Fairchild Publications,* were about four percent under 1937 and three percent below 1936, thus indicating that physical volume of goods handled was larger than in 1937 and about equal to 1936. Stores reporting weekly recorded seven percent more separate transactions in the four weeks ended December 31 than in the corresponding period a year earlier.

This relatively favorable Christmas volume was quite general. Retail furniture dealers reported 8.7 percent more sales in December than in the same month a year ago. Chain drug stores showed a gain of 4.5 percent. Wearing apparel shops were slightly ahead of last year and chain grocery stores sold six percent more goods in December than in the same month a year ago.

Better retail sales apparently encouraged department store buyers, for, although sales by these firms increased more than seasonally during December, inventories of reporting stores declined less than usual. As a result, the seasonally adjusted index of department store stocks increased for the second consecutive month for the first time since the summer of 1937. Nevertheless, at the end of the year, they were still 14.3 percent smaller than at the beginning.

Large Christmas cash business resulted in the usual sharp decrease in relative importance of installment sales, and a similar small decline in regular charge accounts. Installment collections were better at department stores during December than they had been in November, but collections on other accounts at these stores and at retail furniture dealers were slow.

Based on weekly reports, consumer spending fell off in the first half of January. Warm weather at that time hindered January clearance sales of winter goods and, on a daily average basis, dollar volume was three percent below the same period last year, when the adjusted index of department store sales was 88.2 percent of the base period, compared with 92.8 for December 1938.

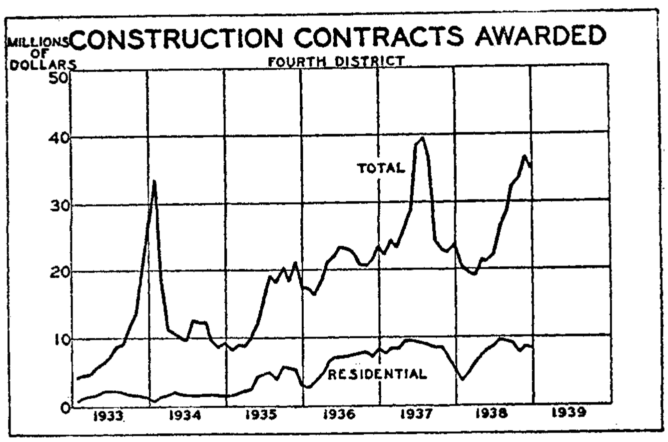
Wholesale Mixed developments in the field of wholesale trade prevailed in the fourth district during December. Some groups, such as suppliers of drugs, electrical equipment, industrial materials, and machinery, sold more goods in that month than in November, but firms in other lines suffered losses in volume. Comparison with last year, however, showed marked improvement, for the decline in total sales from December to December was less than six percent, whereas the similar figure for November was nearly ten percent. To a large extent, this change reflects rapid falling-off of activity a year ago. This drop was so extensive and prolonged that in spite of improvement during the latter half of the year, sales of all wholesale firms reporting to the *Department of Commerce* were 20 percent less in 1938 than in 1937. Percentage declines for different groups of firms varied widely, as is shown in the table on page seven.

Purchases by wholesalers still remained on a conservative basis, and inventories of all groups of reporting firms were further reduced during December. At the end of the year, stocks were approximately 16 percent below those on hand a year earlier. Collections increased somewhat during December. They showed approximately the same percentage decline from a year ago, however, as was true of accounts receivable, thus indicating about the same rate of payment as was then the case.

CONSTRUCTION

The extent to which activity in the construction industry in the fourth district improved during 1938 is indicated by the accompanying chart, which shows a three-month moving average of *F. W. Dodge Corporation* data for value of construction contracts awarded in this district. The latest figures are based on November and December, and an estimate for January. Expansion continued in December, but there was a falling-off in the first half of January as Federally-financed awards declined quite sharply. Projects contracted for in this area during December were valued at $40,249,000, eight percent above November and 49 percent higher than December 1937. It was the largest total reported in any December since 1926. Most of the current activity was in the non-residential field, but a large Federal housing project in Youngstown prevented a seasonal decline in total residential contracts.

The chart reveals that three conspicuous peaks have occurred in the construction industry in this district during the last six years. The first period of sharp expansion was caused by the first P. W. A. program. The 1937 peak in the figures for contracts awarded reflects construction of one large steel mill. The current high level is almost entirely due to progress made by the Public Works Administration in getting its present program under way. Construction contracts financed by private interests have been declining since September, whereas governmental projects have been increasing. During the first nine months of 1938 public money paid for only 46 percent of fourth district construction started during that period, while in the last three months of the year 71 percent of the projects arose from governmental operations. In December, 78 percent of these undertakings were financed by public funds.



As already pointed out, influence of the Government has been felt in the residential field as well as in other categories. During December, half of the dollar volume of these contracts was publicly-financed. In no other month of the year, however, with the exception of August, was residential construction augmented directly by Government spending. The rapid recovery during the spring months and the fairly high level maintained during the fall, when seasonal factors retard starting new projects, were therefore due to increased use of private funds in the residential field.

AGRICULTURE

Agricultural conditions in the Fourth Federal Reserve District showed little change during December and the first three weeks of January. Market quotations indicate that prices received by farmers late in January were about the same as in mid-December, when they were 96 percent of the pre-war base. This level compares with 94 percent in November and an average of 95 percent for the year, which was more than 20 percent below 1937. All groups of commodities were lower in 1938 than a year earlier, but in varying degrees. Prices of grains and fruits dropped about 40 percent, miscellaneous commodities about 26 percent, and chickens and eggs only three percent.

Livestock and Feeding Earlier reports of heavy feeding operations in this district are now confirmed by the *Department of Agriculture*. In Ohio, as well as in most other eastern Corn Belt States, the number of cattle on feed was estimated to be the largest in many years. Feeding of sheep and lambs in the district was approximately six percent lower than last year, but still 13 percent above the 1934-38 average. Ohio remains the fourth largest producer of finished lambs. Plentiful feed supplies have also resulted in expansion of the number of brood sows on farms in this region.

Although feeding operations are heavy, stocks of grains remaining on local farms are larger than usual. The *Bureau of Agricultural Economics* estimates that by January 1, only 29 percent of the 1938 Ohio corn crop had been sold or fed to livestock. On the same date a year earlier, 35 percent of the year's production had been consumed or sold, whereas average crop disappearance by January 1, during the ten years 1928-1937, was 37 percent. The situation with regard to oats and wheat was similar, though wheat consumption and sales were nearer the average rate. Conditions in Pennsylvania and Kentucky corresponded to those in Ohio. Failure of local grains to move to market does not seem to be due to activity of the *Commodity Credit Corporation*, for at the end of December this agency reported that only one-fourth of one percent of the wheat and one-tenth of one percent of the corn produced in Ohio in 1938 were impounded under crop loans at that time.

Tobacco Sales on the Burley auction markets were resumed after the Christmas holidays without much change in prices for the various types of leaf. Average prices, however, fell somewhat during January as lower grade tobacco was marketed. At Lexington, the decline in the season's average was from $22.48 per hundred pounds on December 16 to $21.79 on January 18. Farmers report disappointment over prices received for better grades, for they range from five to eight dollars below those received for similar tobacco last year. Lower quality leaf, on the other hand, is selling at prices far enough above last year to keep the average for the entire crop approximately the same as a year ago. This narrowing of the price spread between high and medium or low grades reverses a tendency toward larger premiums on quality which was apparent in recent years. Sales have been progressing so rapidly that, in spite of the relatively large crop, the markets are expected to close earlier than usual.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	December 1938	% Change from 1937	Year 1938	% Change from 1937
Bank Debits—24 Cities........ $	$2,633,000	— 4.8	$24,668,000	—19.6
Savings Deposits—end of month:				
40 banks, O. and W. Pa........ $	781,936	— 0.1	[1]	
Life Insurance Sales:				
Ohio and Pa.................. $	114,429	+36.7	851,845	—18.9
Retail Sales:				
Dept. Stores—54 firms........ $	37,643	+ 0.7	244,049	—12.6
Wearing Apparel—12 firms.... $	1,280	+ 0.6	9,747	—13.3
Furniture—40 firms........... $	969	+ 8.6	8,475	—31.6
Building Contracts—Total...... $	40,249	+49.1	318,574	— 6.2
" " —Residential. $	10,471	+223.2	94,156	— 8.4
Commercial Failures—Liabilities $	960	—41.9	18,569	+18.4
" " —Number...	57[2]	—16.2	964[2]	+39.7
Production:				
Pig Iron—U. S............ tons	2,213	+47.2	18,890	—48.5
Steel Ingot—U. S.......... tons	3,143	+113.4	27,839	—43.8
Auto—Passenger Car—U. S.....	326,006[2]	+33.4	2,000,985[2]	—48.9
" —Trucks—U. S...........	62,340[2]	—23.8	488,570[2]	—45.3
Bituminous Coal, O., W. Pa., E. Ky.................. tons	12,987	+ 4.7	126,417	—26.4
Cement—O., W. Pa., W. Va. Bbls.	536	—24.9	10,861	—13.3
Elec. Power, O., Pa., Ky. .... Thous. k.w.h.	1,631[3]	+ 1.2	15,389[4]	—13.8
Petroleum—O., Pa., Ky.... bbls.	2,089[3]	— 9.8	24,379[4]	— 5.6
Shoes .... pairs	[5]	+10.1	[5]	— 6.6
Tires, U. S............ casings	4,679	+64.1	40,026	—24.9
Bituminous Coal Shipments:				
L. E. Ports.............. tons	439	+166.1	35,131	—22.4

[1] not available
[2] actual number
[3] November
[4] First eleven months
[5] Confidential

Wholesale and Retail Trade

(1938 compared with 1937)

	Percentage Increase or Decrease		
	SALES December 1938	SALES Year 1938	STOCKS December 1938
DEPARTMENT STORES (54)			
Akron..........................	+ 4.1	—16.8	—12.9
Cincinnati......................	— 0.4	— 8.3	—13.1
Cleveland.......................	+ 0.4	—13.0	—12.8
Columbus........................	+ 3.7	— 5.9	— 9.9
Dayton..........................	+ 8.7	—13.5	—13.0
Pittsburgh......................	— 1.2	—13.7	—17.1
Toledo..........................	+ 2.3	—14.2	—17.1
Wheeling........................	— 0.8	—12.8	—20.2
Other Cities....................	— 0.3	—14.6	— 9.8
District........................	+ 0.7	—12.6	—14.3
WEARING APPAREL (12)			
Cincinnati......................	— 0.2	—18.8	—19.6
Cleveland.......................	— 6.7	—13.9	+ 1.1
Pittsburgh......................	+ 7.5	—12.2	—12.7
District........................	+ 0.6	—13.3	— 9.9
FURNITURE (40)			
Cincinnati......................	+ 1.8	—37.4	
Cleveland.......................	+ 9.1	—30.5	
Columbus........................	+15.4	—12.9	
Dayton..........................	+ 5.1	—32.6	
Toledo..........................	— 7.9	—41.3	
Other Cities....................	+19.4	—41.0	
District........................	+ 8.7	—31.6	
CHAIN STORES*			
Drugs—District (4)...............	+ 4.5	— 4.5	
Groceries—District (4)............	+ 6.1	— 2.4	
WHOLESALE TRADE**			
Automotive Supplies (9)..........	—17.0	—16.7	— 4.4
Drugs (5)........................	+ 5.1	— 2.0	[1]
Dry Goods (6)....................	+ 8.5	—22.3	—25.5
Electrical Goods (8).............	—19.1	—42.3	—40.5
Groceries (59)...................	—10.1	—11.8	— 8.7
Total Hardware Group (34)........	— 5.5	—32.9	—16.8
General Hardware (8)...........	+ 2.7	—26.7	—16.9
Industrial Supplies (14).......	—15.7	—44.7	—17.1
Plumbing & Heating Supplies (12)	— 4.4	—25.3	—16.0
Jewelry & Optical Goods (4).......	+12.1	—26.7	[1]
Leather & Shoe Findings (3).......	0.0	—14.3	[1]
Lumber & Building Materials (5)...	+ 1.0	—24.1	[1]
Machinery Equipment & Supplies (3)	—47.5	[1]	[1]
Meats & Meat Products (3)........	—13.7	[1]	[1]
Metals (5).......................	— 6.5	—33.7	—23.4
Paints & Varnishes (4)...........	— 7.1	—17.2	[1]
Paper & its Products (8).........	+ 4.3	— 5.9	—28.2
Tobacco & its Products (23).......	0.0	+ 0.8	+ 1.5
Miscellaneous (13)...............	+20.4	—34.9	— 4.7
District—All Lines (192)..........	— 5.8	—20.2	—15.9

*Per individual unit operated.
**Wholesale data compiled by U. S. Department of Commerce.
[1] Not available.

Fourth District Business Indexes

(1923-25 = 100)

	Dec. 1938	Dec. 1937	Dec. 1936	Dec. 1935	Dec. 1934
Bank Debits (24 cities).................	97	102	113	86	75
Commercial Failures (Number)............	39	47	27	43	43
" " (Liabilities)...........	22	38	17	28	99
Sales—Life Insurance (O. and Pa.)........	119	87	96	98	110
" —Department Stores (48 firms)........	152	151	158	134	123
" —Wholesale Drugs (5 firms)...........	120	114	120	100	83
" — " Dry Goods (6 firms)......	48	44	62	48	43
" — " Groceries (59 firms).......	66	73	80	70	63
" — " Hardware (8 firms).......	84	81	105	76	59
" — " All (78 firms)............	70	74	86	70	61
" —Chain Drugs (4 firms)**............	126	120	129	112	93
Building Contracts (Total)................	84	57	43	45	14
" " (Residential)...........	61	19	37	16	6
Production—Coal (O., W. Pa., E. Ky.).......	72	69	76	71	64
" —Cement (O., W. Pa., E. Ky.)....	45	59	64	34	20
" —Elec. Power (O., Pa., Ky.)*....	194	192	191	169	143
" —Petroleum (O., Pa., Ky.)*......	113	125	127	116	109
" —Shoes.........................	92	83	103	98	74

*November.
**Per individual unit operated.

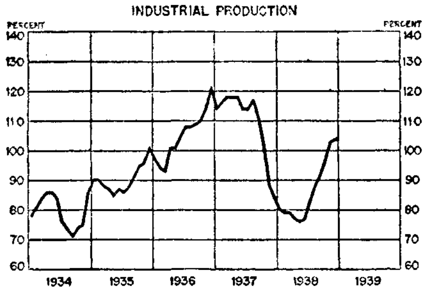
Debits to Individual Accounts

(Thousands of Dollars)

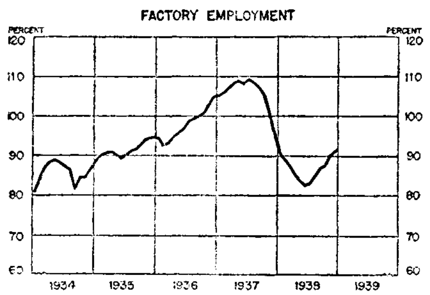
	4 Weeks ended Jan. 18, 1939	% change from 1938	Year Dec. 30, 1937 to Dec. 28, 1938	Year Dec. 31, 1936 to Dec. 29, 1937	% change from 1937
Akron..........	$ 62,509	+ 7.5	$ 687,672	$ 836,097	—17.8
Butler..........	8,116	—19.5	100,027	126,918	—21.2
Canton.........	32,397	+ 1.8	360,445	479,007	—24.8
Cincinnati......	290,289	— 5.6	3,607,506	4,265,854	—15.4
Cleveland.......	553,582	+ 4.2	6,014,141	7,543,463	—20.3
Columbus.......	151,411	— 3.4	1,935,722	2,247,471	—13.9
Dayton.........	58,632	— 9.7	721,110	907,128	—20.5
Erie...........	24,507	—11.9	299,458	395,635	—24.3
Franklin........	2,706	— 4.1	34,552	42,965	—19.6
Greensburg.....	6,426	— 6.2	79,987	92,346	—13.4
Hamilton.......	9,728	— 1.4	123,955	153,829	—19.4
Homestead......	2,575	—10.8	34,132	41,510	—17.8
Lexington.......	43,531	— 3.0	283,981	300,578	— 5.5
Lima...........	12,844	— 8.4	163,368	173,132	— 5.6
Lorain..........	4,202	— 4.1	54,351	65,834	—17.4
Middletown.....	8,550	+ 8.6	105,839	132,315	—20.0
Oil City........	8,350	—19.4	112,132	137,844	—18.7
Pittsburgh......	608,528	—15.6	7,318,754	9,421,182	—22.3
Sharon.........	7,465	— 5.8	88,963	113,970	—21.9
Springfield......	15,812	— 9.0	191,418	229,248	—16.5
Steubenville.....	8,201	— 2.6	101,767	136,097	—25.2
Toledo.........	115,315	— 4.3	1,334,465	1,669,170	—20.1
Warren.........	8,409	+ 3.9	97,761	127,107	—23.1
Wheeling.......	28,282	— 8.1	324,701	415,588	—21.9
Youngstown....	40,110	— 0.3	470,178	634,287	—25.9
Zanesville......	7,827	+ 7.9	89,613	101,097	—11.4
Total.........	$2,120,304	— 5.9	$24,735,998	$30,789,672	—19.7

Summary of National Business Conditions

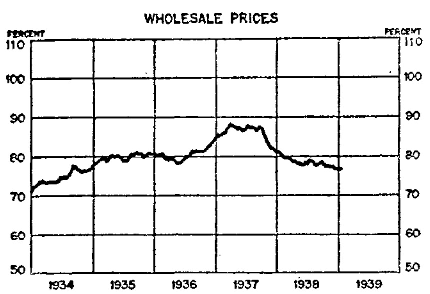
By the Board of Governors of the Federal Reserve System



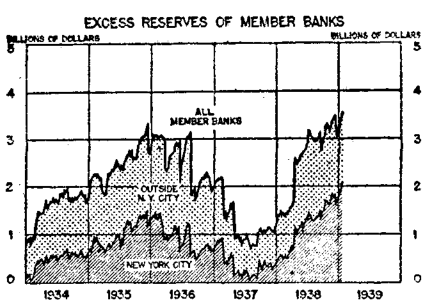
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to December 1938. Latest figure 104.



Index of number employed, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to December 1938. Latest figure 91.4.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending January 14, 1939. Latest figure 76.8



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934 to January 11, 1939.

Volume of industrial production declined seasonally in December and showed little change in the first three weeks of January, when an increase is usual. Wholesale commodity prices were steady. Employment and payrolls increased further in December, and retail sales showed more than the usual seasonal rise.

Production

In December volume of industrial production declined by about the usual seasonal amount and the Board's adjusted index was at 104 percent of the 1923-1925 average, about the level reached in November following an exceptionally rapid advance after the middle of the year. Changes in output in most lines in December were largely seasonal. In the steel industry, however, production showed a greater-than-seasonal decline, and averaged 54 per cent of capacity in December as compared with 61 percent in November. Lumber production showed little change from November to December, although usually there is a decline, and at textile mills and shoe factories activity declined less than seasonally. At meat-packing establishments there was a reduction in output.

Automobile production increased somewhat further in December. In the fourth quarter of 1938 production and sales of the new model cars were in about the same volume as in 1937; dealers' stocks of new cars increased seasonally in this period, but at the year end were much below the high level of a year earlier.

Value of construction contract awards increased considerably from November to December, according to F. W. Dodge Corporation figures for 37 Eastern States. The increase reflected principally a further rise in contracts awarded for Public Works Administration projects, which accounted for most of the sharp increase in awards that occurred in the last half of 1938. Contracts for private residential building decreased less than seasonally in December, while other private construction showed little change and remained at a low level.

Employment

Employment and payrolls rose further between the middle of November and the middle of December. In most manufacturing lines the number employed continued to increase, when allowance is made for the usual seasonal changes, and in the automobile and machinery industries the rise was considerable. Employment and payrolls in trade increased more than is usual in the holiday season and in the construction industry employment showed much less than the usual seasonal decline.

Distribution

Distribution of commodities increased more than seasonally in December. Sales at department stores showed the usual sharp expansion prior to Christmas and sales at variety stores and mail order sales showed a more-than-seasonal rise.

Freight-car loadings declined seasonally from November to December, reflecting largely the customary decrease at this time of year in shipments of miscellaneous freight.

Bank Credit

As the result of the post-holiday return of money from circulation, together with Treasury disbursements from its balances with the reserve banks, and gold imports, excess reserves of member banks increased nearly $600,000,000 in the four weeks ending January 18 to a new high level of $3,560,000,000. A large part of the increase occurred at New York City banks.

Total loans and investments of reporting member banks in 101 leading cities, which increased substantially in the first three weeks of December, declined in the following four weeks. There was some decline in loans and a reduction in holdings of United States Government obligations, reflecting in part distribution to the public of new securities purchased by banks in December. Deposits declined somewhat in the latter part of December but increased in January.

Money Rates and Bond Yields

Average yields on United States Government securities declined slightly in December and the first three weeks of January. For three consecutive weeks the entire new issue of 91-day Treasury bills sold on or slightly above a no-yield basis. Commercial paper rates declined slightly in January while other open-market money rates continued unchanged.