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Activity in several lines of business in this district continued to increase in July and the first three weeks of August. This further extended the upturn which started in late June and which continued with less interruption from seasonal fluctuations than is usual.

Of chief importance, in this connection, was the course of steel mill operations which, at most local mills, rose to the highest level since the fall of 1937. Pronounced gains were evident in centers engaged in preparing to supply the auto and auto parts industries with materials. Some ingot and semifinished steel produced was in anticipation of releases at a later date, however, and moderate inventory accumulation was indicated. Demand for steel from other sources was reported to have held up well for this season of the year. The addition of several boats to the lake shipping service was reported, following an increase of 24 in the month ended Aug. 15, most of which are engaged in ore transportation. In mid-August, 81 per cent of the available lake tonnage was in commission, compared with 43 per cent at that time last year. Heavy ore shipments and better industrial activity have increased the demand for coal to be shipped to upper lake ports. Seasonal demand for shipments of domestic grades to retailers has also developed, and railroads have recalled furloughed workers to handle heavy ore and coal shipping requirements.

Demand for machine tools continued its upward trend during July, and the index of new orders rose to a new peak for the recovery movement. A large portion of the demand was from abroad, however, and commitments from foreign sources were said to have fallen off in August. Demand from domestic sources, on the other hand, was said to have been well maintained.

The low point of automobile assemblies was passed in the third week of August and local parts producers reported that orders and releases in the first half of the month were up considerably. Compared with a year ago large gains were reported, although the earlier date of new-model introductions was a factor. Tire production and operations of the rubber industry have held up very well. Replacement tire sales in July were only slightly below the high rate in June and the good volume of such demand reported for the first half of August was further augmented by orders for original equipment tires. Crude rubber consumption up to August 1 was 54 per cent greater than a year ago.

In other consumers' goods lines activity was well main-

tained during July and August. Employment at Ohio shoe factories rose eight per cent from June to July, and production was at a seasonal peak during the summer months. Men's clothing plants were also busy on fall lines in mid-August, whereas in mid-July the number of their employees had been down slightly from the preceding month. China and pottery manufacturers were suffering from seasonal dullness.

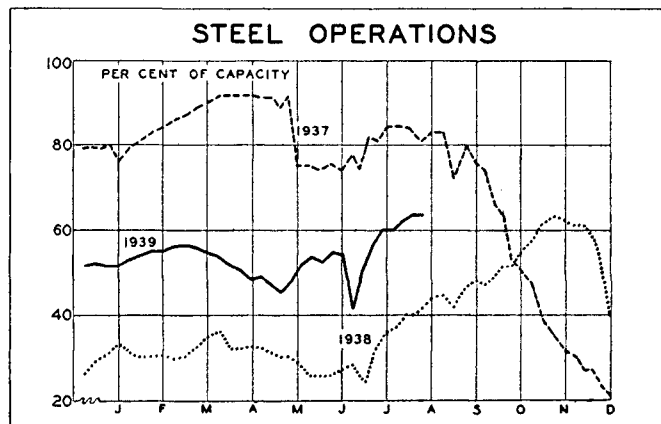
Both wholesale and retail trade were down seasonally in July, but the decline in department store sales was a little less than usual. In the first three weeks of August, sales at these stores were making seasonal gains over July. Bank debits during this latter period were 18 per cent higher than in corresponding weeks last year, whereas for the month of July the gain over 1938 was only ten per cent.

Most crops continued to make satisfactory progress during July and August, but suffered from drought in local areas. Low prices for farm products have reduced farm cash income to lower levels than last year.

FINANCIAL

Member Bank Credit Commercial and industrial loans at weekly reporting member banks in leading cities of the district rose moderately in

July and the first three weeks of August. They amounted to \$251,000,000 on August 23, an increase of \$17,000,000 from July 5, and \$24,000,000 higher than at the year's low point in mid-February. They were still slightly below the level of last year, however. Most of the increase was made by banks in the three largest cities of the district—Cleveland, Pittsburgh, and Cincinnati—whereas banks in such cities as



Akron, Canton, Columbus, Dayton, Erie, Lexington, and Toledo have reported little or no net change in this type of loan since February. All other loans outstanding remained almost constant during July and August.

A slight increase in holdings of Government securities brought total investments of all reporting banks to \$1,240,000,000 on August 23, the highest level since early in 1937. They were twelve per cent larger than on the corresponding date last year. Adjusted demand deposits remained at a high level in August, but on the latest date they were slightly below the peak reached late in July.

Federal Reserve Bank Credit Total Federal reserve credit outstanding again declined in the five weeks ended August 23 as holdings of Treasury bills were not replaced at maturity. As a result, this bank's portfolio of Government securities was reduced from \$255,566,000 on July 5 to \$242,615,000 on August 16, but this reduction was not intended to be a reversal of policy being followed by the Federal Reserve System. Failure to replace maturing bills was attributed to technical conditions in the money market whereby short-term securities were selling on practically a no-yield basis. In the week ended August 23 no change was made in security holdings. Discounts were small during July and the first three weeks in August as member bank reserves remained high. Excess reserves of member banks rose to 69 percent above legal requirements in the last half of July and increased further in August.

Federal reserve notes in circulation rose to \$428,931,000 on August 23, the highest level of the year and only slightly below the Christmas peak reached last December. This exceeded the amount in circulation on the corresponding date last year by \$20,000,000, but was lower than in 1937 when payrolls were large and retail trade active.

MANUFACTURING, MINING

Iron and Steel With the exception of one week in early August and another late in the month when no change was reported from the preceding period, the national operating rate of the steel industry has risen quite sharply from the July holiday let-down. In the two weeks ended August 26, the national rate of production was 63.5 percent of capacity, the highest since September 1937. The July rate averaged 54.5 percent. It is estimated by *Steel* that August production will be about 28 percent above May, the low month so far this year. In 1938 the low was in June and by September output had risen 62 percent.

The weekly rate has increased 40 percent from the year's low in May to the present time, much of the gain occurring when, in past years, the opposite trend has been experienced. The seasonal pattern of this industry apparently has changed considerably along with that of several others in recent years. In the six years 1924-29, the average decline in steel production from May to July was slightly more than ten percent. In that period August averaged higher than July, but was still five percent below the May peak and, while October was usually the peak month of the second half year, it did not equal the average May rate. Seasonal patterns were hard to segregate in the early years of the depression because of constant declining output. Likewise, when improvement began, the rising trend and changed seasonal requirements

of some industries combined to produce a trend which was quite different from the pre-depression seasonal pattern.

Steel production has been able to advance during recent weeks in the face of a sharp, more-than-seasonal decline in auto assemblies. While some steel for automotive use, ordered several weeks ago, has been specified, the full effect of such requirements has not been felt. Output, according to trade reports, has been sustained by miscellaneous demand, in practically all lines of which consumption recently has held up well.

It is estimated in some circles that the rate of ingot production was stepped up several points beyond actual consumption in recent weeks in anticipation of possible later releases for automobile materials. This has occurred not only at primary steel production plants, but also at steel fabricators, particularly auto parts plants where inventories increased in July and were being further built up in August.

Reports from jobbers have been quite encouraging recently. Railroad orders are small, and while the petroleum industry has been confronted with curtailment of oil output and low prices, pipe orders for all purposes have held up well.

Scrap steel prices have risen to the highest level since the middle of October 1937. *Steel's* composite price of steel-making scrap in late August was \$15.50, compared with a low at the end of July of \$14.91. Sufficient scarcity exists, according to reports, to cause dealers to hold back at current quotations. Export buying at Atlantic ports has caused some diversion from usual channels and aids in the upward tendency.

So far as operations in the various steel-producing centers of this district are concerned, gains were quite general and large for this season of the year. In the Cleveland and Lorain district, output for the week ended August 26 was 80 percent, down slightly from the 83.5 percent rate in the previous week, compared with 41 percent a year ago at this time and 56 percent in the third week of July. At Pittsburgh the rate advanced from 48 percent in the week ended July 22 to 56 percent in the two weeks ended August 26. A year ago Pittsburgh mills were producing at 30 percent. Youngstown plants showed only moderate improvement in recent weeks, operations in the latest period being 55 percent of capacity, compared with 43 percent a year ago. Wheeling mills increased output to 86 percent in the week ended August 19 from a 79 percent rate which had prevailed for several weeks. In southwestern Ohio the rate in the latest week was 63 percent of capacity, compared with 55 percent a year ago at this time and 31 percent in late July.

Steel ingot production so far this year for the entire country was 71 percent in excess of the corresponding period of 1938, and in July the increase was 67 percent. Pig iron output increased sharply in the latest month as twelve blast furnaces were brought into production. Actual output was 94 percent in excess of July 1938.

Iron ore shipments from upper lake ports in July were nearly twice as great as they were last year, and for the season to August 1, an increase in such ore movements of 106 percent was reported. While ore stocks at lower lake ports and at furnaces increased somewhat during July, at the month end they were approximately 20 percent smaller than a year ago. Twenty-six ore boats were added to the lake fleets in the month ended August 15, and on that date 81 percent of the total available tonnage was in use. Reports of additional

boats being commissioned have since been received. A year ago only 43 percent of the available tonnage was being utilized.

Coal Operations at fourth district coal mines continued to expand slowly in July and early August from levels established after the mines were reopened in May. Current production, however, was still considerably less than it was during the first quarter of the year, although in July, at 11,553,000 tons, it was 30 percent higher than in the corresponding period in 1938. At that time, conditions in the coal trade were seriously depressed.

In mid-August it was stated that demand for certain grades of industrial coal had improved considerably, but that the mines were burdened with stocks of prepared coal of the larger domestic sizes. Retailers were said to be accepting shipments for seasonal deliveries to consumers, but in many areas total production was not sufficient to provide the quantity of stoker coals desired. As a result, prices of these grades were firm.

A large portion of total demand continued to come from lake shippers in the coal and ore trade. The heavy movement of iron ore from Lake Superior ports resulted in increased demand for return voyage coal cargoes, and bituminous coal loadings at lower lake ports reflect this situation. Although the season was late in starting, heavy shipments in July and August raised total loadings for the season to August 20 to a level slightly higher than in 1938. In the first three weeks of August, coal dumped into vessels at lower lake ports was nearly 30 percent greater than in the comparable period last year.

Automobiles Automobile production declined sharply in July and August as the shift to new-model production was made about a month earlier than in other recent years. The contraction in August was quite abrupt, for assembly of some 1939 models was continued longer than was contemplated earlier in the year. While return to more normal levels must await the introduction of models which provide the industry's volume, and which, at present, is looked for late in September or early October, it is difficult yet to determine the length of the period of reduced operations.

In the week ended August 26, output was placed at 17,465 cars and trucks, a gain of about 5,000 units, but it was still under last year for the second week.

Auto parts plants and steel rolling mills indicate that

operations in recent weeks have increased rather more than has been customary at this time of year. At Cleveland plants, employment at the end of July was 16 percent less than a month earlier, but in August there was a resumption of work generally as orders and releases increased. Figures covering production and shipments of some local plants in the first half of August show marked gains over July and also last year when the changeover extended over a relatively long period. Fewer difficulties in resuming operations are reported than in some past seasons.

July output, according to the *Department of Commerce*, was 209,343 cars and trucks; this was 32 percent less than in June, but was 48 percent in excess of last year. The drop from June was about what tentatively is felt was a seasonal change, although with the shifts that have occurred in recent years it is difficult to work out seasonal adjustment factors. The gain in July over last year was smaller than in earlier months and for the year to August 1 output was 61 percent ahead of 1938. Passenger car output was up 66 percent and truck production was ahead by 45 percent.

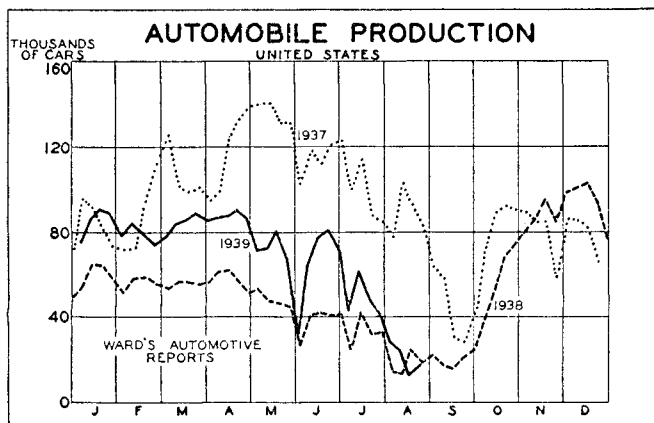
While output of cars declined 32 percent in July from June, demand, as evidenced by passenger car registrations, held up quite well. In leading counties of this district, July registrations were off only twelve percent from June and were nearly double last year. The *Automobile Manufacturers Association* reported July retail sales of passenger cars at 229,220 units, a gain of 49 percent over last year, and 87,000 units in excess of output, not taking into account cars exported in the month.

In the first seven months of this year domestic registrations were reported to be 1,967,000 cars and trucks. Dealer inventory data are meager, but it is reported that, with August sales holding up, stocks have dropped to about normal levels for the period prior to new model introductions. In the four weeks ended August 24, new passenger car sales in Cleveland (Cuyahoga County) averaged 543 units per week compared with an average of 628 cars in the four preceding weeks and 320 in August 1938.

Rubber, Tires

The tire and rubber industry again operated at a high level during July, and reports indicated that activity was being sustained in mid-August. Crude rubber consumption during July amounted to 43,880 tons, down seven percent from June, but still 28 percent higher than in July of last year, when consumption was expanding from its 1938 low. The current rate was only slightly below the average prevailing throughout the first half of the year, which was 50 percent higher than in 1938 and only twelve percent below 1937. Consumption again exceeded imports, and stocks available in the United States fell. As a result of this situation and other world developments, prices of crude rubber rose in late August to the highest level since November.

As indicated by rubber consumption, tire production during July was slightly lower than in June, but was considerably higher than in July last year. It also exceeded the corresponding month in 1937, at which time the 1937-38 recession was beginning in the tire industry. Sustained demand for tires in the replacement market permitted total shipments to exceed production, and inventories again declined. This is a seasonal situation, but replacement sales have been stimulated during the last few months by presumably temporary price reductions. Shipments from manufacturers to dealers



were exceptionally heavy in June, reaching a peak that month instead of at the usual time in August. Shipments to this market declined somewhat in July, however, and according to manufacturers' reports, in mid-August they were holding at about the July level. In spite of the heavy June shipments to dealers, apparently there was no accumulation of inventories. According to the *Department of Commerce*, dealer tire stocks were slightly lower at the end of June than they were in April.

Shipments of original equipment tires expanded in August after reaching a low point in July. Moving forward the date for introduction of new automobile models has had the expected effect on tire shipments to manufacturers, for in 1938 the low month for these shipments was August, whereas it was September in the two preceding years.

Textiles and Clothing

The textile and clothing industry continued to operate at a good rate during July and early August, and in most cases employment was increased. In Pennsylvania, the number of workers and employee hours gained approximately four percent during July, while in Cleveland, employment at eleven representative textile and clothing firms rose six percent. The number employed at local plants was the largest since early in 1937.

In mid-August, men's clothing firms reported that production and delivery of fall merchandise was running well ahead of last year. Retail sales, however, did not come up to expectations in July, for at fourth district department stores, sales of men's clothing were only one percent above last year, whereas the average gain over 1938 during the preceding four months was 20 percent. Nevertheless, inventories were again reduced, and at the beginning of August they were 14 percent under last year and 19 percent below 1937. With the exception of last January, they were lower than at any other time in nearly three years. Apparently because of the low level of retail stocks, manufacturers reported that cancellations and revisions of orders were exceptionally small.

Operating rates at textile mills were being well maintained in mid-August, but work on fall merchandise was nearing completion. According to the *National Association of Wool Manufacturers*, wool consumption in June, the latest month for which data are available, was at the highest June rate since 1921, with the exception of 1933. For the first half of 1939 total consumption was 79 percent greater than during the corresponding period last year, but it was 13 percent less than in the first half of 1937. A preliminary estimate of consumption in July places the weekly rate at approximately the level of last December. Activity at that time was the highest since early in 1937.

Other Manufacturing

In the other manufacturing lines of importance in this district, conditions varied considerably during July and early August. Orders received by the machine tool industry during July were at the highest level since early 1937, but new business received by foundry equipment manufacturers declined. Makers of other heavy industrial machinery reported some increase in inquiries, but little pick-up in actual orders. Glass production was down seasonally in July, but output was expanded in early August. Seasonal factors also reduced shipments of many types of durable consumers' goods during July. Shoe factories were running close to capacity on fall lines.

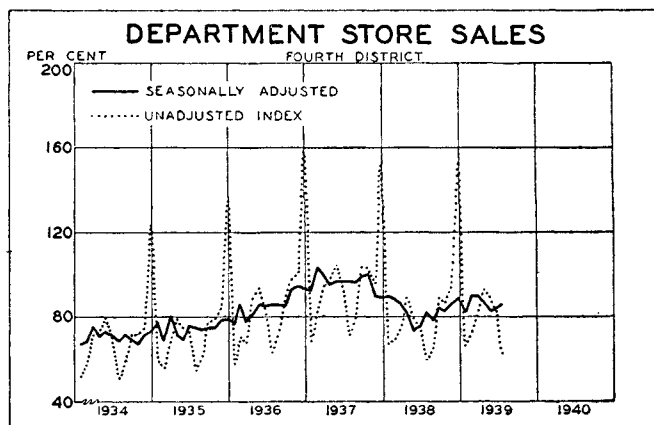
The index of new orders compiled by the *National Machine Tool Builders' Association* continued its upward trend during July, and rose to 230 percent of average monthly shipments during 1926. For the last three months the index has been over 200, and the July figure was exceeded on only three occasions since the Association started compiling data in 1919. Although the amount of foreign orders is no longer shown separately, manufacturers reported that a heavy volume of foreign business accounted for most of the upswing so far this year. The Association stated, however, that improvement in the distribution of orders throughout the industry indicated a broadening domestic demand.

Makers of miscellaneous products such as heavy forgings and castings, valves and pipe fittings, and screws and bolts also reported improvement during July, but in some cases it was said that the upward trend had not continued in early August. Foundry equipment manufacturers, on the other hand, reported a falling-off in orders during July, and with the exception of May, new business was lower than since November. Shipments during July exceeded incoming orders, and as a result, the industry's backlog was reduced to the lowest level since December.

Electrical equipment manufacturers also stated they had experienced a considerable decline in new business during July, and in some cases this falling-off continued in the first half of August. It was said, however, that a large volume of orders for fall delivery was still on the books. Factory shipments of consumers' goods by these manufacturers reached seasonal low points during July in most cases. Vacuum cleaner shipments were the lowest in twelve months, but they were still twelve percent above last year. Shipments of household washers were also down seasonally, but were more than 40 percent ahead of July 1938.

The glass industry operated at low levels during July. Plate glass production, at 6,212,000 square feet, was the smallest in a year, and less than half the average monthly output prevailing toward the end of 1938. Reduced demand from the automobile industry was largely responsible for curtailed production. In August, operations expanded as assembly of 1940 cars started, and increased demand from other sources was reported. The window glass industry also operated at the lowest level of the year in July, but expanded production in August. Output was at the rate of 42.6 percent of capacity in July, compared with 61.7 percent last December. It was more than double that of last July, however.

At the dinnerware plants of the ceramic industry, operations were said to be close to 70 percent of capacity in mid-



August. The increase in orders which started early in July had continued, but was not quite up to seasonal expectations.

The box and paperboard industry held up better than usual during July and early August, and prices of materials advanced. Makers of fine paper, however, reported that the seasonal drop in orders and production was more severe than usual.

Fourth district shoe factories increased production during July by approximately the seasonal amount. Output was six percent higher than in June, and exceeded July of last year by twelve percent. This was also the gain for the first seven months of the year over the similar period in 1938. Reports from manufacturers in mid-August indicated that nearly all plants were operating close to capacity, but that some firms were catching up with orders and were planning to curtail activity in their cutting rooms. Since it was stated that finishing operations normally lag about four weeks behind the start of production, output is expected to be well maintained through the greater part of September.

At the beginning of August, shoe inventories in the hands of retailers, as evidenced by fourth district department stores, were approximately the same as they were a year ago, and considerably below 1937. Sales at these stores during July were also about the same as last year, and below 1937.

TRADE

Retail Most lines of retail trade suffered from seasonal dullness in July and early August, and sales were lower than in June.

Fourth district department stores, for example, sold 23 percent less merchandise in July than in the preceding month, and sales of wearing apparel shops and retail furniture stores were also down. Grocery and drug chains, however, increased their dollar volume slightly. In spite of the decline in dollar volume of department store sales, after allowance is made for seasonal fluctuations, the index of daily average sales rose somewhat in July. During the first three weeks in August sales made the usual gain over July, and they were ten percent larger than in corresponding weeks last year.

The seasonally adjusted index of fourth district department store sales, shown in the chart, has been revised in order to allow for gradual changes in seasonal factors which have been in progress for several years. This revision did not

Department Store Sales—Fourth District

(Index numbers based on daily averages of dollar volume of sales; 1923-25=100)

| Month | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 |
|----------------------------------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|------|
| Without seasonal adjustment: | | | | | | | | | | | |
| January | 84.2 | 76.9 | 71.7 | 54.6 | 42.5 | 52.0 | 59.6 | 58.3 | 68.8 | 67.0 | 66.8 |
| February | 87.9 | 81.9 | 73.6 | 58.0 | 45.2 | 57.0 | 56.2 | 70.1 | 82.4 | 69.5 | 70.9 |
| March | 104.0 | 87.3 | 83.5 | 61.1 | 41.4 | 71.4 | 68.9 | 67.8 | 94.7 | 75.7 | 81.6 |
| April | 103.0 | 109.3 | 97.1 | 69.0 | 66.8 | 73.7 | 79.1 | 88.8 | 97.7 | 89.2 | 92.3 |
| May | 106.4 | 102.8 | 90.9 | 66.9 | 62.7 | 79.9 | 74.6 | 93.3 | 105.1 | 79.2 | 89.4 |
| June | 105.2 | 91.2 | 82.7 | 58.1 | 59.1 | 70.4 | 75.3 | 83.7 | 94.7 | 75.2 | 82.2 |
| July | 79.1 | 69.1 | 62.5 | 41.9 | 47.8 | 50.5 | 54.6 | 63.3 | 70.5 | 59.4 | 63.1 |
| August | 87.1 | 76.6 | 65.1 | 42.6 | 60.7 | 59.5 | 61.3 | 71.7 | 79.6 | 65.1 | |
| September | 107.5 | 92.9 | 76.4 | 57.3 | 67.9 | 71.5 | 77.5 | 89.0 | 103.3 | 88.9 | |
| October | 111.1 | 100.2 | 79.7 | 61.8 | 67.9 | 71.7 | 79.2 | 97.5 | 104.0 | 86.7 | |
| November | 110.8 | 95.4 | 79.2 | 59.2 | 67.4 | 74.8 | 83.4 | 100.0 | 96.0 | 92.7 | |
| December | 174.7 | 149.2 | 123.4 | 90.5 | 108.3 | 123.1 | 133.7 | 157.9 | 151.2 | 152.2 | |
| Yearly Average | 105.1 | 94.4 | 82.2 | 60.1 | 61.5 | 71.3 | 75.3 | 86.8 | 95.7 | 83.4 | |
| Adjusted for seasonal variation: | | | | | | | | | | | |
| January | 105.3 | 97.3 | 91.9 | 70.0 | 55.2 | 67.5 | 77.4 | 76.7 | 91.7 | 89.3 | 89.1 |
| February | 104.6 | 98.7 | 88.7 | 70.7 | 55.1 | 69.5 | 69.4 | 86.5 | 103.0 | 88.0 | 89.7 |
| March | 108.3 | 99.2 | 90.8 | 65.0 | 47.6 | 76.0 | 80.1 | 77.9 | 99.7 | 86.0 | 89.7 |
| April | 102.0 | 98.5 | 90.7 | 65.7 | 59.6 | 70.9 | 71.3 | 81.5 | 95.8 | 81.8 | 87.1 |
| May | 102.3 | 98.8 | 86.6 | 63.1 | 59.2 | 75.4 | 69.7 | 86.4 | 97.3 | 73.3 | 82.8 |
| June | 109.6 | 95.0 | 85.3 | 59.3 | 59.7 | 71.1 | 76.1 | 85.4 | 96.6 | 76.7 | 83.9 |
| July | 105.5 | 92.1 | 84.5 | 56.6 | 64.6 | 69.2 | 74.8 | 86.7 | 96.6 | 81.4 | 86.4 |
| August | 106.2 | 93.4 | 79.4 | 52.0 | 73.1 | 71.7 | 73.9 | 86.4 | 95.9 | 78.4 | |
| September | 109.7 | 93.8 | 75.6 | 56.7 | 66.6 | 69.4 | 75.2 | 85.6 | 99.3 | 84.7 | |
| October | 103.8 | 93.6 | 74.5 | 57.8 | 64.1 | 67.6 | 75.4 | 92.8 | 100.0 | 83.4 | |
| November | 101.7 | 89.2 | 74.7 | 55.8 | 64.2 | 71.2 | 78.7 | 94.3 | 89.7 | 86.6 | |
| December | 104.0 | 88.3 | 73.5 | 54.2 | 64.9 | 73.3 | 79.1 | 92.9 | 88.4 | 89.0 | |

affect the unadjusted index, but the seasonally adjusted figures for February, April, July, and October were raised, and those for September, November, and December were lowered. These shifts seem to reflect a tendency on the part of consumers to buy spring and fall merchandise earlier than formerly, and to increase the percentage of their annual purchases made in the Christmas season. This latter development has been particularly marked in the recovery years since 1934. The revised seasonally adjusted index, as well as the unadjusted data, are given in the table for the period from 1929 to date. No revision of the index prior to 1929 was made. Allowance was made for a shifting Easter date.

There seems to be some correlation between total sales at fourth district department stores and the relative volume sold on credit. During the first seven months of 1937, when all sales were high, installment sales accounted for over eleven percent of the total. During the corresponding period of 1938, when total volume was down considerably, these sales made up only eight percent of all goods sold. This year, with business better than in 1938, but not as good as in 1937, installment sales have averaged 9.3 percent of total sales. Regular charge accounts, on the other hand, show just the opposite developments. From January through July of 1937, sales on thirty-day charge accounts made up 49.6 percent of the total, but during the same months in 1938 they averaged 52.9 percent, and in 1939 they accounted for 52.2 percent of all sales.

Collections during July were not as good as in June. This development, however, was seasonal, and in comparison with last year, they were up slightly more than in the preceding month. Funds collected in July were about eight percent greater than a year earlier, although accounts receivable were down one percent.

Liquidation of inventories in July did not proceed quite as well as in other years, and the seasonally adjusted index of department store stocks rose slightly. Inventories were about one percent below those on hand a year earlier, however, and 16 percent lower than at the beginning of August 1937.

Wholesale

Wholesale trade in the fourth district also suffered from seasonal factors during July, and in nearly all lines sales were lower than in June. A gain of 9.3 percent over the corresponding period last year, however, was slightly larger than in preceding months, so that the cumulative gain for the first seven months of the year over the corresponding period in 1938 rose to five percent. Purchasing policies remained conservative, and except for dry goods firms, inventories rose only nominally during the month. At the beginning of August, total stocks were three percent below those on hand a year previous. Collections fell off during July, but accounts receivable were reduced as a result of the decline in sales.

As is shown in the table on page seven, the best comparisons with last year were reported by firms in the hardware and metals groups. Sales of lumber did not rise as much as construction contracts awarded in this district would indicate, and paint sales were lower than in 1938. Small declines were also noted in some consumers' goods lines, but gains were more numerous than losses. The table also shows that the low level of inventories in comparison with last year was quite general.

CONSTRUCTION

Construction contracts awarded in the fourth district during July were valued at \$37,799,000, off seven percent from June, but still 80 percent above July of last year. Most of the decline from the previous month was accounted for by the fact that only one large Government housing project was started during July, while in June four such units were included in the figures. There was also some decline in private building, but public works construction rose as the total was swelled by contracts for a super highway in western Pennsylvania.

In the residential field, there has been a considerable falling-off in so-called "speculative" activity during the last three months, although building for owners was well maintained. The accompanying chart shows *F. W. Dodge Corporation* figures covering contracts awarded for construction of one-family houses in Ohio, western Pennsylvania, West Virginia, and Kentucky, divided between those built for owners and those built for sale or rent. In most cases one-family homes are financed by private funds, but occasionally public projects account for a major portion of such houses built for sale or rent. The November 1937 peak in this type of building, for example, was due to the Homestead Development of the Resettlement Administration in Hamilton County, Ohio. Recently, however, government activity in this field has not been significant in this district, so that the fall in the broken line represents declining activity by private builders. Reports from operators in this field indicated that the demand for new homes looked for in March and April did not materialize, and builders reduced operations to the level prevailing toward the end of last year. The decline was most marked in southern Ohio and Kentucky, but this type of building also fell off in northern Ohio. In western Pennsylvania, however, it has been maintained at about the same level for the last six months. That the falling-off in the total was not a seasonal movement is also shown by the chart, for building of houses for sale or rent does not appear to be subject to the marked seasonal fluctuations which are apparent in home building for owners' occupancy.

Total residential construction reported during July as being contemplated fell to the lowest level since February, but was still well above levels prevailing in 1937. It was only about half that reported in July last year, however, when the proposed public housing program was swelling the figures for residential construction under consideration. In most other fields, there was some increase in contemplated construction during July, but this work has not reached the contract stage. During the first half of August there was a sharp reduction in the volume of nearly all types of construction contracts awarded.

Wholesale lumber dealers located in the fourth district sold 20 percent less lumber and building supplies in July than they did in June, according to the *Department of Commerce*. Sales of reporting firms were only eight percent higher than in July of last year. In mid-August dealers stated that there was some tendency toward firmer prices for many types of lumber.

AGRICULTURE

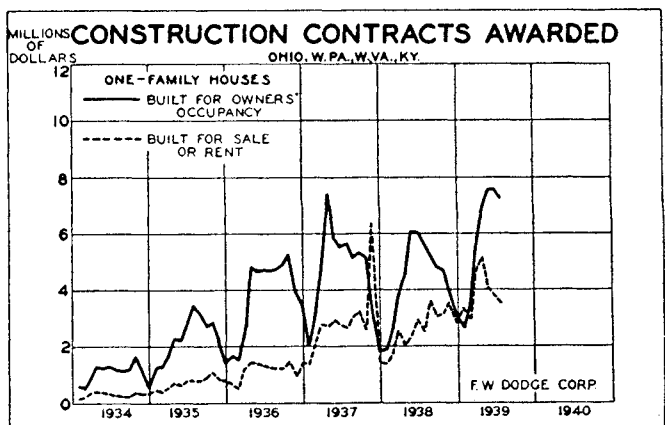
Recent price weakness in grains and livestock had a depressing effect on agricultural conditions. In mid-July the general level of prices received by farmers was only 89 percent of the pre-war average, and in mid-August it was

somewhat lower. In July 1938 farm prices were 95 percent of pre-war.

These low prices have reduced income of farmers in this district even though their marketings have been quite heavy. According to estimates made by the *Bureau of Agricultural Economics*, during the first half of 1939 cash income from products marketed by farmers in Ohio, Pennsylvania, Kentucky, and West Virginia was nine percent lower than last year and 16 percent under 1937. In the United States as a whole, the declines were only 3.5 percent and 15 percent, respectively. In this district, the largest drop was reported in Kentucky, where returns from last year's tobacco crop were disappointing. In all states but Kentucky, Government payments exceeded sums paid out in 1938 and 1937, so that after allowance has been made for this factor, total farm cash income in the four states was only 7.5 percent below 1938 and 14.7 percent under 1937. In the country as a whole, total cash income received by farmers in the first half of the year was two percent larger than in 1938, but 12 percent less than in 1937.

Insofar as crop prospects are concerned, however, agricultural conditions in the fourth district improved in July and August, and the *Crop Reporting Board* of the *Department of Agriculture* raised its production estimates for most major fourth district crops. The August 1 report indicated considerable improvement in this area in corn, oats, wheat, and hay, and practically no change in expectations for tobacco and potatoes. In all parts of the district, with the exception of northern Ohio and western Pennsylvania, pastures were said to be good to excellent in July, but lack of rain in many sections was harmful in August.

Corn Corn improved during July, and the August 1 estimate of this year's production in the fourth district was raised two percent to 204,000,000 bushels. If present expectations are realized, this year's crop will be nearly one-fourth larger than the ten-year average, and with the exception of 1931 and 1937, it will be the largest since 1925. The large crop is expected in spite of a considerable reduction in acreage, for increased use of hybrid seed and favorable growing conditions have combined to raise yields. In Ohio, crop reporters forecast the best yields on record. This condition is in sharp contrast to that prevailing in the western part of the Corn Belt, where dry weather in July reduced prospects for the country as a whole to a level slightly below last year's production. Nevertheless, the *Department of Agriculture* has stated that the 1939-40 supply of corn may exceed



the normal supply by a sufficiently large amount to require a referendum on marketing quotas for corn.

Oats Oats also improved during July, and in many cases yields exceeded earlier expectations. The grain matured on short straw, but the heads were quite well filled. In Ohio, the average yield was estimated at 31 bushels per acre, slightly above average, but two bushels per acre under the 1938 crop.

Tobacco The August 1 estimate of tobacco production in this district was little changed from that of a month earlier and a crop ten percent larger than last year was expected. In the first half of August it was said to have improved greatly, but there were still some very poor fields. In mid-August, Burley tobacco had begun to burn, and some farmers were cutting their crops in order to prevent further injury, although it was not considered fully ripe.

Fruit Fruits, generally, continued to develop well in July and early August, but in western Pennsylvania they suffered somewhat from drought. On August 1, Ohio apple production was expected to exceed the ten-year average by 65 percent. In August, grapes were making satisfactory progress in Ohio and Pennsylvania, and a crop of high quality was in prospect.

Debits to Individual Accounts

| | (Thousands of Dollars) | | Year to Date | | % change from 1938 |
|-------------------|-------------------------------|--------------------|--------------------------------|---|--------------------|
| | 5 Weeks ended August 23, 1939 | % change from 1938 | Dec. 29, 1938 to Aug. 23, 1939 | Year to Date Dec. 30, 1937 to Aug. 24, 1938 | |
| Akron..... | 69,472 | +18.8 | 495,982 | 434,888 | +14.0 |
| Butler..... | 9,939 | +15.1 | 67,648 | 65,186 | +3.8 |
| Canton..... | 37,403 | +22.8 | 260,748 | 228,155 | +14.3 |
| Cincinnati..... | 333,574 | +10.5 | 2,400,810 | 2,326,976 | +3.2 |
| Cleveland..... | 651,519 | +26.7 | 4,174,951 | 3,798,775 | +9.9 |
| Columbus..... | 188,967 | +13.7 | 1,305,672 | 1,245,614 | +4.8 |
| Dayton..... | 66,702 | +12.9 | 480,825 | 469,166 | +2.5 |
| Erie..... | 30,509 | +11.6 | 201,179 | 193,156 | +4.2 |
| Franklin..... | 3,056 | +1.9 | 20,916 | 21,863 | -4.3 |
| Greensburg..... | 7,376 | +1.1 | 50,916 | 51,972 | -2.0 |
| Hamilton..... | 10,842 | -2.3 | 81,164 | 79,366 | +2.3 |
| Homestead..... | 3,712 | +12.7 | 24,150 | 22,777 | +6.0 |
| Lexington..... | 20,333 | -2.4 | 181,832 | 182,950 | -0.6 |
| Lima..... | 14,015 | -4.0 | 99,997 | 108,470 | -7.8 |
| Lorain..... | 5,779 | +18.0 | 37,805 | 35,231 | +7.3 |
| Middletown..... | 12,105 | +26.7 | 78,705 | 66,445 | +18.5 |
| Oil City..... | 10,296 | +3.5 | 73,015 | 73,869 | -1.2 |
| Pittsburgh..... | 702,405 | +14.1 | 4,697,674 | 4,600,137 | +2.1 |
| Sharon..... | 9,086 | +10.5 | 60,497 | 56,447 | +7.2 |
| Springfield..... | 18,226 | +7.8 | 130,947 | 126,552 | +3.5 |
| Steubenville..... | 10,623 | +13.0 | 70,371 | 64,811 | +8.6 |
| Toledo..... | 131,547 | +14.8 | 892,470 | 823,340 | +8.4 |
| Warren..... | 9,978 | +23.8 | 71,963 | 61,183 | +17.6 |
| Wheeling..... | 31,631 | +13.9 | 224,285 | 208,181 | +7.7 |
| Youngstown..... | 52,612 | +26.5 | 337,954 | 294,732 | +14.7 |
| Zanesville..... | 8,893 | +10.9 | 62,065 | 57,144 | +8.6 |
| Total..... | 2,450,600 | +16.7 | 16,584,541 | 15,697,386 | +5.7 |

Fourth District Business Statistics

| Fourth District Unless Otherwise Specified | (000 omitted) | | Jan.-July 1939 | % change from 1938 |
|---|--------------------|--------------------|---------------------|--------------------|
| | July 1939 | % change from 1938 | | |
| Bank Debits—24 cities..... | \$2,180,000 | +10.8 | \$14,524,000 | +4.5 |
| Savings Deposits—end of month: 40 banks, O. and W. Pa..... | \$ 777,294 | +0.3 | 1 | |
| Life Insurance Sales: Ohio and Pa..... | \$ 64,864 | +6.0 | 546,538 | +13.8 |
| Retail Sales: Dept. Stores—53 firms..... | \$ 15,305 | +6.2 | 134,689 | +5.8 |
| Wearing Apparel—13 firms..... | 544 | -3.2 | 5,538 | +3.5 |
| Furniture—40 firms..... | 682 | +15.0 | 5,392 | +19.0 |
| Building Contracts—Total..... | \$ 37,799 | +80.9 | 224,630 | +56.7 |
| —Residential..... | \$ 13,332 | +58.5 | 84,163 | +74.8 |
| Commercial Failures—Liabilities..... | 905 | -51.8 | 8,447 | -38.9 |
| —Number..... | 70 ² | +4.5 | 529 ² | -12.3 |
| Production: Pig Iron—U. S..... tons | 2,356 | +94.2 | 14,887 | +62.8 |
| Steel Ingot—U. S..... tons | 3,289 | +66.6 | 21,880 | +71.4 |
| Auto—Passenger Car—U. S..... | 150,738 | +41.1 | 1,732,839 | +66.1 |
| Auto—Trucks—U. S..... | 58,605 | +69.4 | 438,417 | +45.4 |
| Bituminous Coal, O., W. Pa., E. Ky..... tons | 11,553 | +30.0 | 68,009 | +5.8 |
| Cement—O., W. Pa., W. Va. bbls. | 1,172 ³ | +22.2 | 4,033 ⁴ | +19.1 |
| Elec. Power, O., Pa., Ky. thous. k.w.h. | 1,582 ³ | +13.2 | 9,651 ⁴ | +25.3 |
| Petroleum—O., Pa., Ky. bbls. | 2,207 ³ | +0.1 | 12,753 ⁴ | -5.0 |
| Shoes..... pairs | 8 | +11.8 | 5 | +12.0 |
| Tires, U. S..... casings | 4,510 | +37.2 | 31,701 | +65.3 |
| Bituminous Coal Shipments: L. E. Ports..... tons | 6,530 | +36.0 | 14,396 | -0.8 |

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

Fourth District Business Indexes

| | (1923-25 = 100) | | | | |
|---|-----------------|-----------|-----------|-----------|-----------|
| | July 1939 | July 1938 | July 1937 | July 1936 | July 1935 |
| Bank debits (24 cities)..... | 80 | 73 | 99 | 89 | 73 |
| Commercial Failures (Number)..... | 48 | 46 | 33 | 53 | 50 |
| —(Liabilities)..... | 21 | 43 | 30 | 20 | 52 |
| Sales—Life Insurance (O. and Pa.)..... | 67 | 64 | 89 | 90 | 90 |
| —Department Stores (48 firms)..... | 63 | 59 | 71 | 63 | 55 |
| —Wholesale Drugs (6 firms)..... | 97 | 91 | 103 | 97 | 84 |
| —Dry Goods (8 firms)..... | 32 | 27 | 43 | 43 | 35 |
| —Groceries (60 firms)..... | 68 | 66 | 82 | 86 | 72 |
| —Hardware (9 firms)..... | 71 | 61 | 95 | 83 | 64 |
| —All (83 firms)..... | 64 | 60 | 79 | 78 | 64 |
| —Chain Drugs (4 firms)**..... | 90 | 90 | 99 | 90 | 79 |
| Building Contracts (Total)..... | 79 | 44 | 115 | 59 | 47 |
| —(Residential)..... | 78 | 49 | 50 | 37 | 25 |
| Production—Coal (O., W. Pa., E. Ky.)..... | 64 | 49 | 73 | 72 | 51 |
| —Cement (O., W. Pa., E. Ky.)*..... | 97 | 80 | 94 | 105 | 83 |
| —Elec. Power (O., Pa., Ky.)*..... | 188 | 166 | 188 | 172 | 143 |
| —Petroleum (O., Pa., Ky.)*..... | 119 | 119 | 131 | 122 | 111 |
| —Shoes..... | 112 | 100 | 116 | 118 | 113 |

*June.
**Per individual unit operated.

Wholesale and Retail Trade

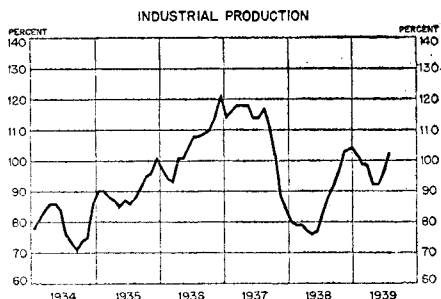
(1939 compared with 1938)

| | Percentage Increase or Decrease | | |
|--|---------------------------------|----------------------|------------------|
| | SALES July 1939 | SALES first 7 months | STOCKS July 1939 |
| DEPARTMENT STORES (53) | | | |
| Akron..... | +18.0 | +16.3 | +3.4 |
| Cincinnati..... | +6.6 | +4.4 | -1.8 |
| Cleveland..... | +6.4 | +5.2 | -0.3 |
| Columbus..... | +4.8 | +6.8 | +4.4 |
| Erie..... | +9.4 | +4.3 | +5.0 |
| Pittsburgh..... | +1.1 | +2.3 | -4.9 |
| Toledo..... | +7.6 | +8.6 | -0.9 |
| Wheeling..... | -1.7 | +0.2 | -12.9 |
| Other Cities..... | +12.2 | +13.4 | +4.5 |
| District..... | +6.2 | +5.8 | -1.3 |
| WEARING APPAREL (13) | | | |
| Cincinnati..... | -6.3 | -6.1 | +0.6 |
| Cleveland..... | -1.1 | +7.7 | +2.5 |
| Pittsburgh..... | -12.4 | -1.5 | -5.6 |
| District..... | -3.2 | +3.5 | +0.7 |
| FURNITURE (40) | | | |
| Cincinnati..... | +14.0 | +7.7 | |
| Cleveland..... | +15.4 | +24.0 | |
| Columbus..... | +11.4 | +16.0 | |
| Dayton..... | +8.1 | +7.1 | |
| Toledo..... | +18.8 | +5.8 | |
| Other Cities..... | +21.8 | +28.3 | |
| District..... | +15.0 | +19.0 | |
| CHAIN STORES* | | | |
| Drugs—District (4)..... | +0.9 | 1 | |
| Groceries—District (4)..... | +5.3 | +3.9 | |
| WHOLESALE TRADE** | | | |
| Automotive Supplies (12)..... | +6.0 | +7.9 | -6.4 |
| Beer (5)..... | -3.5 | 1 | +30.0 |
| Clothing and Furnishings (5)..... | -5.9 | 1 | 1 |
| Coal (3)..... | +24.3 | 1 | 1 |
| Drugs and Drug Sundries (6)..... | +6.4 | +6.0 | -1.7 |
| Dry Goods (8)..... | +18.6 | +11.7 | -3.1 |
| Electrical Goods (18)..... | +17.3 | +11.6 | -8.5 |
| Fresh Fruits & Vegetables (7)..... | -1.2 | 1 | +4.1 |
| Grocery Group (60)..... | +2.7 | -1.1 | -3.7 |
| Total Hardware Group (37)..... | +27.0 | +9.3 | +1.7 |
| General Hardware (9)..... | +16.5 | +4.1 | +1.7 |
| Industrial Supplies (13)..... | +63.9 | +22.5 | +1.8 |
| Plumbing & Heating Supplies (15)..... | +15.5 | +11.8 | +1.1 |
| Jewelry (7)..... | +26.7 | +4.3 | -1.6 |
| Lumber and Building Materials (4)..... | +8.0 | +14.1 | 1 |
| Machinery, Equip. & Sup. (5)..... | +19.0 | -0.6 | 1 |
| Meats and Meat Products (5)..... | +1.9 | 1 | +14.5 |
| Metals (3)..... | +40.5 | +49.5 | 1 |
| Paints and Varnishes (7)..... | -6.8 | 1 | -7.5 |
| Paper and its Products (7)..... | +7.3 | +9.7 | -2.5 |
| Tobacco and its Products (20)..... | -2.1 | -1.9 | -19.1 |
| Miscellaneous (18)..... | +12.8 | +17.0 | -6.3 |
| District—All Lines (237)..... | +9.3 | +5.1 | -3.0 |

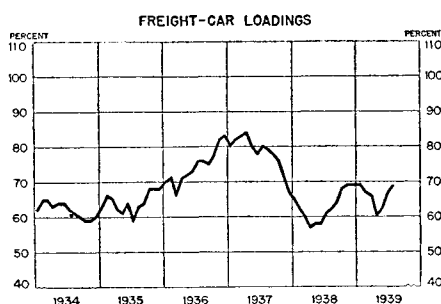
*Per individual unit operated.
**Wholesale data compiled by U. S. Department of Commerce.
1Not available.

Summary of National Business Conditions

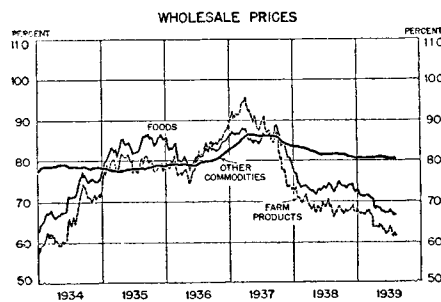
By the Board of Governors of the Federal Reserve System



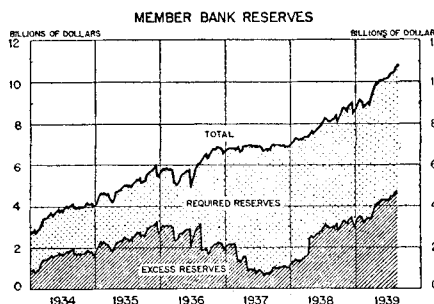
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to July 1939. Latest figure—102



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to July 1939. Latest figure—69.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending August 12. Latest figures—farm products 61.4; foods 66.7; all other commodities 80.5.



Wednesday figures, January 3, 1934, to August 23, 1939. Latest figure, millions of dollars, total 10,829; required 6,089; excess 4,740.

In July industrial activity, seasonally adjusted, rose sharply and was close to the level reached last December. Prices of some industrial materials increased in recent weeks while those for agricultural products continued to decline.

Production

The Board's index of industrial production, according to preliminary returns, advanced to 102 percent of the 1923-1925 average in July as compared with 98 in June and 92 in April and May. The advance in July reflected chiefly a considerable further increase in output of iron and steel, which usually declines at this season. Steel ingot production rose from an average rate of 52 percent of capacity in June to 57 percent in July and in the first three weeks of August was maintained around 60 percent which for the month would represent about the usual seasonal increase. Lumber production showed little change in July, although a decline is usual.

In the automobile industry output showed a sharp seasonal curtailment during July and the first half of August, reflecting preparations for the shift to new model production which will be made about a month earlier this year than in other recent years. Retail sales of new cars continued in excess of production and dealers' stocks were greatly reduced. Plate glass production declined sharply in July, following a substantial increase in June.

Changes in output of nondurable manufactures in July were largely of a seasonal nature. At cotton textile mills and meat-packing establishments activity showed somewhat less than the usual declines and at sugar refineries output increased from the low level reached in June. Flour production continued in substantial volume.

Mineral production expanded further in July as output of bituminous coal continued to increase and petroleum production, which had been reduced in June, rose sharply. On August 14 the Texas Railroad Commission ordered a shutdown of most Texas oil wells for 15 days, beginning August 15, and subsequently similar shutdowns were ordered in several other important oil producing States.

Employment

Factory employment, which usually declines in July, was maintained this year at about the June level and payrolls showed a less than seasonal decrease, according to reports from a number of leading industrial States.

Distribution

Sales at department and variety stores in July showed about the customary seasonal decline. In the first half of August department store sales increased.

Freight-car loadings increased further from June to July. Loadings of coal continued to expand and shipments of miscellaneous freight, which usually decline at this season, showed little change.

Commodity Prices

Prices of most farm products and foods declined from the beginning of July to the middle of August. Some industrial materials, principally steel scrap, nonferrous metals, and textile fabrics, showed advances in this period, while crude petroleum prices were reduced.

Agriculture

On August 1 prospects for major crops were about the same as a month earlier, according to the Department of Agriculture. The first official estimate on cotton indicated a crop of 11,400,000 bales, somewhat smaller than last year's crop and 2,400,000 bales less than the 1928-1937 average. World carryover of American cotton, however, was estimated to have been somewhat larger on August 1 than the record volume of a year ago.

Bank Credit

Total loans and investments of member banks in 101 leading cities increased substantially during the four weeks ending August 9, reflecting chiefly increases in holdings of United States Government obligations and the purchase by New York banks of a large share of a new issue of New York State short-term notes. Commercial loans continued to increase at New York banks but declined at banks in 100 other leading cities as corn and cotton loans that were approaching maturity were taken over by the Commodity Credit Corporation in accordance with a standing agreement. Deposits at reporting banks remained at high levels.

Excess reserves of member banks increased further to new high levels in the latter part of July and the first half of August, owing principally to gold imports and net Treasury disbursements, partly offset by a reduction in Federal Reserve bank holdings of Treasury bills.