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The business picture has changed so completely in the past four weeks that it is difficult as yet to report with any accuracy what actually has happened. Most statistical information covering activity in various industries is for the month of August and is of little value except to show that expansion in domestic business was already under way and was proceeding at a fairly satisfactory rate. Most indexes had risen from the lows of late spring. Superimposed on that situation, an almost unprecedented demand for the products of domestic industry was experienced following outbreak of war in Europe. What share of the expansion thus far experienced represents an acceleration of the domestic upswing, and what part might be attributable to present and potential demand for materials used in previous wars, or equipment to produce such materials, cannot be determined. Another important factor behind the upswing is replenishment of depleted inventories or accumulation of raw materials as a hedge against possible higher prices or delivery difficulties. All have worked together to produce a marked acceleration in several industrial lines that are very important in the fourth district.

Wholesale prices of raw materials advanced sharply in early September as demand for most goods, much of which was speculative, increased so rapidly that distribution facilities were taxed. The accompanying chart shows *Moody's* price index of fifteen sensitive commodities. From 140 in late August this index rose to 169 on September 7. In the next two weeks, as the initial hysteria wore off, declines occurred in some commodities on several days, but these were more than offset by later increases in other products. On September 23 the index was 172.5, a gain of 23 percent in little more than three weeks. The largest advances were in commodities such as rubber, hides, cocoa, sugar, and certain metals. Farm products such as wheat, corn, and livestock experienced substantial gains, but these prices subsequently declined as additional offerings appeared. Metal prices have strengthened considerably; copper, lead, and zinc have maintained their gains and scrap steel prices showed one of the sharpest advances on record in so short a time.

Ohio August industrial employment was up three percent from July and in Pennsylvania the gain was two percent. Payrolls were up 8.6 percent and 9.3 percent, respectively, representing chiefly a gain in the number of hours worked. While part of these increases represented

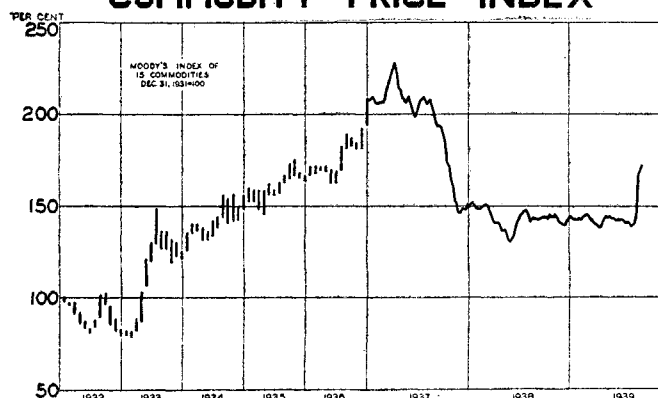
an earlier than usual upturn in the automobile parts industries, other lines also experienced gains in August. Blast furnace payrolls were up 16 percent from July while makers of electric machinery reported a gain of seven percent.

Reports for September indicate that both number employed and payrolls showed further sizable increases. Employment agencies reported increased demands for help, and relief rolls have dropped rather sharply. In certain lines it is said that payrolls have been expanded by overtime work and in others shortage of skilled help is becoming an important factor. Possible subsequent penalties under the merit-rating provisions of the unemployment insurance laws are given as a factor retarding re-employment in some industries.

The pace of the upward swing in industrial activity in this district was set by the machine tool and steel industries, each of which expanded operations at a rapid rate. The machine tool industry had been operating at a high rate recently on large orders, more than half of which had been received from foreign sources. While August incoming orders were slightly retarded by uncertain general conditions, a buying wave occurred in September which dwarfed all previous figures. A special survey conducted by the *National Machine Tool Builders Association* indicated that domestic orders in the first half of September were double those received from these sources during the entire month of August. Foreign buying also increased substantially.

In the steel industry operations have risen more than

COMMODITY PRICE INDEX



20 points since September 1 as producers pressed all equipment into service as rapidly as possible in an effort to deliver steel tonnage bought at third quarter prices for fourth quarter delivery. In the third week of September it was reported that orders for certain types of steel were being refused because rolling schedules were filled to December 31. Some mills considered obsolete and high cost equipment, and blast furnaces on which only patchwork repairs had been made were being re-employed. This situation had repercussions on the ore-producing and transport, the firebrick, and coal and coke industries. Coal production has increased, prices have advanced, and some mines long closed have been reopened. Foreign buying is an important factor in this situation. With by-product coke plants unable to cope with demand, beehive ovens in the Connellsville district are being relighted.

FINANCIAL

Federal Reserve Bank Credit Total credit extended by the Federal Reserve Bank of Cleveland rose approximately \$40,000,000 during the four weeks ended September 20, mainly as the result of participation in purchases of Government securities by the System's Open Market Committee. The outbreak of war in Europe was accompanied by selling of Government obligations, largely in small blocks, and the Federal Reserve System entered the market on a rather large scale in order to preserve orderly conditions. Buying was heaviest in the first two weeks of September, and in the third week it was announced that the System had withdrawn from the market although bond prices continued to decline moderately. During this period the twelve Federal reserve banks increased their total holdings of long-term Government obligations by \$396,000,000 and note holdings were raised \$66,000,000, whereas short-term Treasury bills amounting to \$62,000,000 were permitted to mature without replacement. Largely because of these open market purchases, but also because the Treasury continued to disburse more funds than it received, reserve balances of member banks in this district rose to \$611,929,000 on September 20, the highest point on record and nearly \$160,000,000 more than on the corresponding date last year.

In order to alleviate the necessity of banks selling their investments in Government securities the Federal reserve banks announced on September 1 that loans secured by Government obligations would be made at par to both member and nonmember banks. In view of the large volume of excess reserves, however, no nonmember bank in this district has yet availed itself of this opportunity. Member bank borrowing remained low throughout August and early September, with only three banks indebted to this Federal reserve bank on September 20.

Member Bank Credit Member banks in leading cities of the district reduced their holdings of Treasury bonds by approximately \$22,000,000 in the first three weeks of September, but they kept their portfolios of Treasury notes and fully-guaranteed obligations almost intact. Selling of Treasury bonds was not widespread, the total reduction being traceable to a few banks. Treasury bills amounting to \$12,000,000 were allowed to mature without being replaced and total investments in Government securities were reduced \$33,000,000, or only four percent, in the first three weeks of September. Demand for commercial and industrial loans was said to

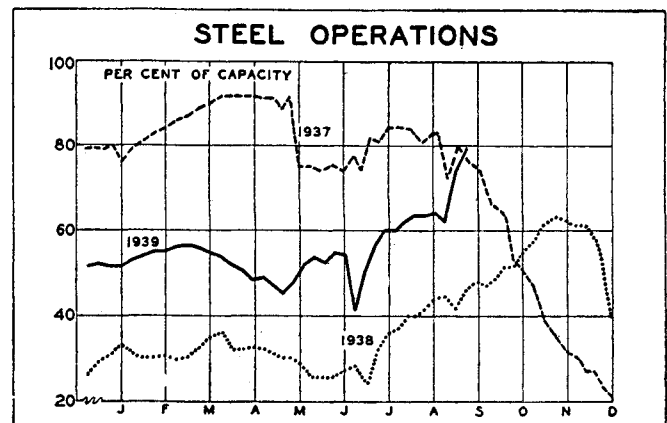
have picked up in mid-September, with some banks reporting numerous inquiries concerning credit lines for carrying inventories. This situation was not general, however, some banks stating that they had felt no pick-up in their credit departments. Commercial and industrial loans at weekly reporting member banks continued to advance in the first three weeks of September, but at no faster rate than had been the case in August. Adjusted demand deposits at these banks rose to a new peak of \$1,261,000,000 on September 20, a gain of 17 percent over the corresponding date last year.

MANUFACTURING, MINING

Iron and Steel

Production of iron and steel and its products is the fourth district's most important industry. Activity had been increasing in this field since early summer and even without the war in Europe it is believed there would have been an increase in consumer steel demand during the early fall months. Part of the gain in operating rates in July and August represented accumulation of semifinished steel inventories in anticipation of these greater requirements from principal consumers when seasonal activity got under way. So far as steel mills themselves are concerned, these inventories soon disappeared in September and backlogs of orders began to mount at almost unprecedented rates as orders poured in from practically all steel users following Labor Day.

With steel a buyers' market for so long a period, consumers had allowed their stocks to contract to low levels, there being little or no incentive to schedule rolling except for immediate needs. Following Labor Day, however, a rush to cover requirements as far ahead as possible and buying for inventory set in which taxed facilities of all steel order departments and soon filled rolling schedules for some time to come. Deliveries beyond the year end, however, were not being scheduled by the mills. Fear of higher prices or such an increase in demand that deliveries could not be counted on, and recollections of the demand that ultimately developed after the last war was in progress some time, were reported to have been largely responsible for this steel buying spree. Even though the steel market was stabilized by announcement September 15 that finished steel prices would remain at third quarter levels for delivery to January 1, buyers continued to place tonnages to assure positions on mill books and get in line for deliveries. This price extension was made despite the fact that pig iron quotations were advanced \$2 a ton on



all grades, and composite scrap steel prices rose nearly 30 percent in three weeks in the sharpest upward movement since 1917. All this had the effect of changing steel from a buyers' to a sellers' market and caused the industry to limit bookings to normal tonnages and to specify that deliveries beyond December 31 take the price prevailing at time of delivery.

This situation developed because of the change in the domestic picture whereby many manufacturers and distributors expect to benefit indirectly through expanding requirements resulting from ultimate increased foreign as well as domestic demand in other lines. While reports of foreign inquiries have appeared, few as yet have been translated into orders. In this connection it might be well to recall that in the last war, it was some time after hostilities were under way before steel and other war materials were required. In addition, the Allies were not so well prepared for war twenty-five years ago as they now appear to be.

That iron and steel mill operations were expanding in August because of domestic demand, either actual or potential, was evident in the rise of daily average pig iron output from 76,001 tons in July to 85,823 tons in August and the nearly ten-point rise in the national steel operating rate to 62 percent of capacity. The number of blast furnaces in operation also increased by eight in the month and this usually is regarded in the trade as an indication of confidence, for these units are not returned to service unless it appears their output will be required for some time.

Following Labor Day, the situation changed so drastically and buying of steel of all grades expanded so sharply that the steel rate advanced from 63.5 percent at the end of August to well above 80 percent in the closing week of September, with further gains indicated as soon as production facilities are put in shape and pig iron supplies are increased. Many blast furnaces had been allowed to fall into such a state of disrepair that considerable time will be required before some of them will be able to produce. Shortages of firebrick are reported which might hamper repair programs.

Anticipating greater iron ore needs this winter than was indicated earlier in the year, ore-producing and transporting companies are increasing their operations sharply in order to move as much ore as possible before the shipping season closes. On September 15 ninety percent of the available lake tonnage was in commission with 98 percent of these ships in the ore trade. Several additional boats have been placed in service since mid-September.

While all steel-producing centers of the country expanded operations quite sharply in September, the gains have been greatest in centers more dependent on heavy steel demand. Cleveland mills were operating at above 80 percent in late August, and they expanded to 84 percent in the third week of September. At Pittsburgh, however, where the rate has lagged, operations rose from 56 to 75 percent in the four weeks ended September 23, with additional gains indicated. At Youngstown the rate jumped from 55 to 82 percent. Wheeling mills showed a net gain of two points to 88 percent, while southwestern Ohio was up $5\frac{1}{2}$ points to 71.5 percent of capacity. These ingot production rates generally were the best in two years and preparations were being made to effect further moderate increases as soon as possible.

Coal

Improved industrial demand for coal during August and seasonal deliveries to retailers created a slightly firmer price structure toward the end of the month, and mine operators expanded production moderately. Output at fourth district mines during August totaled 13,260,000 tons, 22 percent above last year, and with the exception of last March when stocks were being built up in anticipation of a shut-down at the mines, it was the largest monthly production in nearly two years.

After the outbreak of war and the accompanying spurt in industrial activity, a large increase in sales was reported, with buyers of all types participating in the rush to build up inventories and secure commitments covering future needs. In September, domestic grades were sought by those retailers who had delayed accepting shipments in August, while coking coals were in much stronger demand by the iron and steel industry. The need for coke has developed so rapidly that by-product ovens are said to be unable to cope with the situation, and some old beehive ovens have been restored to operation. Expanded iron and steel production, with the resulting heavier movement of ore from upper lake ports, has also created additional demand for coal to be shipped to docks on Lake Superior and Lake Michigan. A large portion of this coal comes from fourth district mines. In the first three weeks of September, over 72,000 cars of coal were dumped at Lake Erie ports. This represents a gain of 36 percent over last year, and operations were still expanding as additional boats were commissioned. Canadian demand for coal was said to be heavier because of unwillingness of eastern mines to ship as far west as customary. Depreciation of the Canadian dollar has raised the retail price of export coal quite sharply, according to reports. Additional demand from other foreign sources has also been noted at local mines. Inquiries from South America, Scandinavia, and France have been received in substantial volume, and for the first time in history small shipments are reported to have been made to Portugal.

This heavy demand for coal has resulted in the reopening of several mines which have been closed for years, and others are said to be operating on a twenty-four hour basis. Late in September total carloadings of some railroads which do a substantial coal business were the largest in ten years and, in some cases, a shortage of available cars was reported. Prices have been increased and buyers are attempting to secure long-term commitments before further advances are put into effect. According to reports, however, producers are not taking business on this basis.

Automobiles

Automobile production expanded sharply in September after having passed its seasonal low point in August. According to *Ward's Automotive Reports*, assemblies rose from 12,955 cars and trucks in the week ended August 19, when most producers were closed down for model changes, to 53,950 units in the third week of September. Although the change-over period was earlier than in other recent years, some major factors in the industry have not yet reached volume production.

Domestic output of passenger cars during August, as reported by the *Department of Commerce*, amounted to only 61,384 cars, a decline of 59 percent from July, but still slightly higher than in August last year. Truck assemblies

did not fall as sharply as was the case with passenger cars, output of 38,484 units being 34 percent under July and 21 percent above August last year. Retail sales in August for the country as a whole fell by about the usual amount, but remained 33 percent above a year ago. In leading counties of this district, the August decline was somewhat less than the estimated seasonal amount and the gain over last year was 71 percent. Fragmentary reports for September indicate that seasonal trends were being maintained, and dealers were carrying a relatively small number of 1939 cars into the new-model year. Used car sales were said to have felt the effect of improved industrial conditions in late September.

Apparently war has had little direct effect on the automobile industry. European markets for both passenger cars and trucks have been cut off, and buying of trucks for war purposes has not yet developed. Possible further advances in raw material costs have led producers to expand inventories of materials and supplies, and parts manufacturers in turn have committed themselves for a larger volume of raw materials than was usual before outbreak of war.

Rubber, Tires

Operating rates at rubber and tire manufacturing plants remained high during August, with some expansion from July levels being noted. Payrolls at Ohio tire factories rose six percent, and crude rubber consumption in the United States advanced 15 percent. At 50,481 tons, consumption was the largest in any month since June 1937 and it was less than seven percent below the all-time high. Production of tires was the largest in any August since 1929.

This high rate of operations was largely attributable to sustained demand for tires in the replacement market, for purchases of automobile manufacturers were at their seasonal low point. Retail tire sales throughout the summer were unusually large, manufacturers' shipments to this market during June, July, and August having exceeded 1938 and 1936 by 25 percent and 1937 by 50 percent. Presumably temporary price reductions in each of these months stimulated sales and apparently caused some purchasers to buy in June and July who would normally have bought tires in August. As a result, June proved to be the peak month of the summer instead of August, although the latter month was only slightly below June and a little higher than July.

Continued high operating rates in the rubber industry and relatively low imports of crude rubber resulted in a further reduction of domestic stocks of this raw material. As shown in the accompanying chart, crude rubber stocks have declined almost uninterruptedly since April 1938 and at the end of August they were slightly below the 1937 low point. In spite of declining stocks, crude rubber prices remained at about 16 cents per pound for nearly twelve months. Late in August, however, declining stocks and other world developments resulted in some price advance, but the full extent of this increase is not reflected in the chart which shows average prices prevailing during the month. After the outbreak of war, domestic crude rubber prices rose sharply to about 24 cents per pound in the first week of September, but subsequently they declined about three cents. In the first sharp rise, traders apparently discounted possible interruption of ocean shipping, for Singapore prices advanced less than those in New York.

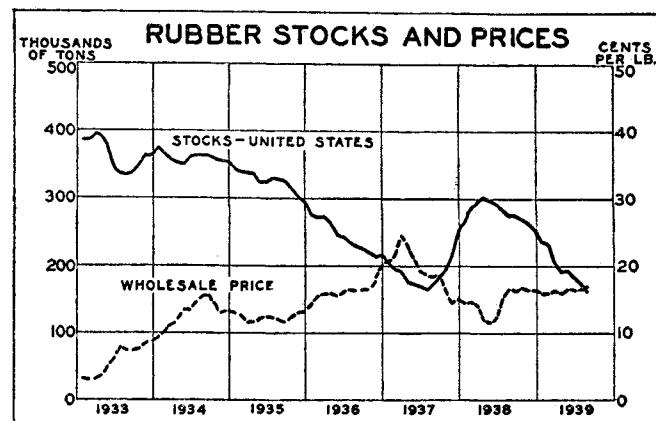
According to reports from the rubber industry, the chief effect of this advance in raw material costs has been to strengthen an otherwise weak price structure. Some large producers have raised prices of mechanical rubber goods from five to twelve percent. Any thoughts concerning the possibility of tire price reductions have been abandoned. In mid-September it was stated that automobile manufacturers and dealers in the replacement market were building up tire inventories in view of the fact that higher crude rubber and other raw material costs might bring about advances in tire prices. As a result, shipments had shown little decline from August levels, and production was not being curtailed by the usual amount.

Textiles and Clothing

Most local textile and clothing manufacturers operated at, or close to, capacity in August as work progressed on fall lines. Employment at men's clothing plants in Ohio gained nearly two percent over July, and payrolls were up more than six percent, while at all Pennsylvania clothing and textile factories corresponding gains of four percent and nine percent, respectively, were reported. In Cleveland the number employed at clothing and textile plants was the largest in over two years.

Outbreak of hostilities in Europe had little effect on actual operating rates, according to reports, for it came at a time when textile manufacturers were completing runs on fall merchandise and had not yet opened their books for orders on spring lines. Rapidly rising raw material prices, however, occasioned concern. In the Boston raw wool market fine grades rose 50 percent in the first three weeks of September and worsted woolen yarns also advanced from 40 to 45 percent. When manufacturers of worsted fabrics began taking orders for spring goods in mid-September, price advances of 15 to 30 percent were announced. At these prices clothing makers were trying to cover their requirements for as long a period as possible, but local mills were limiting orders to old customers and restricting the size of commitments to what was considered necessary for the ensuing season.

Although the price of materials to be used in spring merchandise has advanced, men's clothing manufacturers have not raised prices on fall lines. In most cases price commitments had already been made on these products before the rise in cost of materials, but repeat orders are being accepted at previously announced prices. Insofar as fall and winter business is concerned, most men's clothing companies were well protected from price advances by



substantial inventories of materials, and they have not raised prices to their own customers. Retail sales of men's clothing at fourth district department stores in July and August did not come up to earlier expectations, the gain over last year being only two per cent, but since these are normally low sales months, retailers did not cancel earlier orders for fall merchandise. Stocks at these stores at the beginning of September were at about the same low level as a year ago. In mid-September retail sales were said to have picked up more than seasonally, manufacturers reporting that they were already receiving fill-in orders. Firms specializing in made-to-measure suits were said to have experienced unusually heavy business in coal-mining areas, where greater industrial activity had already resulted in increased consumer purchasing power.

Local women's wear producers reported conditions similar to those prevailing in the men's wear field. Knitting mills were unusually active on women's sweaters. Prices have not yet been advanced in spite of the large increase in cost of yarns.

High prices for wool and silk have stimulated the demand for rayon yarns and local producers have expanded operations to capacity. Enough orders are on hand to insure peak production through November, according to reports. Prices have not yet advanced locally, although important interests in other areas have announced increases of from two to three cents per pound.

Other Manufacturing Most other important manufacturing lines in this district experienced a gradual but widespread pick-up in orders and operations in August. In September, however, the outbreak of war brought rapidly rising raw material prices and an influx of orders appeared as customers attempted to protect themselves against possible price increases for finished products. Most manufacturers in turn sought to build up their own inventories of raw materials and supplies. The rapidly rising demand was chiefly from domestic sources, with practically no actual war orders being reported.

The machine tool industry experienced a minor contraction in incoming business during August as the result of uncertainty regarding the outlook at that time. According to the *National Machine Tool Builders' Association* however, orders received by that industry were only slightly below those received in July and the index of new orders remained above 200 percent of the 1926 base for the fourth consecutive month. This is the first time this index, compiled since 1919, has remained above 200 for so long a period. Both domestic and foreign orders were lower than in July. With outbreak of war, inquiries and orders increased sharply. Canadian and other foreign buying was reported to be heavy, but domestic purchases were also in substantial volume. Several plants are reported to be operating at capacity and, in some cases, there is said to be a shortage of skilled labor.

Foundry equipment manufacturers and other producers of heavy machinery experienced some improvement in demand during August and payrolls at Ohio foundries expanded five percent. In September the pick-up in demand was accelerated by hurried attempts of customers to prepare plants for possible increased production. Makers of electrical equipment, on the other hand, reported no in-

crease in orders during August, although new business was substantially higher than last year. In the first three weeks of September, however, a considerable increase in inquiries, and some advance in actual orders, was said to have taken place. Producers of mining equipment stated that inquiries and orders were much larger in early September than in previous months. Policies regarding inventories varied widely among these manufacturers, with some companies stating that they had attempted to secure coverage for a longer time than usual on most major raw materials, while others had not changed their purchasing policies except with regard to imported materials which might be difficult to obtain under war conditions.

Manufacturers of office furniture and equipment stated in mid-September that they had received a large number of orders and requests for protection against price advances. Most of the business was from domestic sources. Companies doing a substantial European business have curtailed operations.

Plate glass production during August was 10,450,000 square feet, up 68 percent from July, and 36 percent higher than in August last year. The increase over July was said to be largely seasonal as automobile manufacturers started work on 1940 car models. In 1938 nearly 70 percent of all plate glass produced in the United States was used by the automobile industry. In September there was said to be evidence that buyers were anticipating their requirements in view of possible price advances, but except for this development, the war was said to have had little effect on the plate glass industry. Window glass producers also expanded operations in August, production being raised 26 percent to 53 percent of capacity. This was the highest rate since last March and about double that of the corresponding month last year. In early September a widespread increase in orders was reported. Operations were advanced from August levels, with some plants raising output to capacity.

In mid-September paint manufacturers reported the usual increased demand for paints from the automotive industry and some improvement from other industrial consumers. No large advance beyond seasonal expectations was noted, however. Suppliers of raw materials to this industry report a substantial increase in demand for lead and zinc and the prices of these products have advanced materially.

Paper and boxboard producers expanded operations in August as the general improvement in business was reflected in increased demand for containers. In early September raw material prices advanced sharply in view of possible curtailment of Scandinavian imports and expected greater consumption. In mid-September paperboard mills reported that in most cases inventories of raw materials were insufficient for more than thirty days' operations, and consumers had placed heavy orders in anticipation of price increases. A large amount of business was taken on the basis of price prevailing at time of shipment. Some price advances have already been announced. Fine paper makers also reported a heavy volume of orders early in September. Attempts to cover their own raw material requirements for a longer period than usual were evident.

In the ceramic industry, china and pottery plants reported that orders had increased in the first two weeks of September, but the pick-up was no more than seasonal.

The industry is not expected to feel the direct effects of the war until stocks of imported lines are exhausted.

Shoe production was at its seasonal peak during August, with plants operating at capacity. Employment at Ohio factories rose four percent over July. Output was almost exactly equal to that of the same month last year, but for the first eight months of the year there was a gain of ten percent over 1938. Recent increases in raw material costs have caused some producers to announce minor price advances on spring lines.

TRADE

Retail

The upward trend in retail trade which was evident in June and July was maintained in August. Department store sales in leading cities of the fourth district rose more than seasonally, and this was also the case with nationwide general merchandise sales in small towns and rural regions as reported by the *Department of Commerce*. In comparison with last year, sales at department stores in this district showed a gain of twelve percent, while retail furniture dealers and chain grocery stores each reported increases averaging six percent. Sales at wearing apparel shops and chain drug stores were only slightly larger than in August of last year.

Data regarding the effect of the outbreak of the war and the quickening of industrial activity on retail trade are as yet fragmentary. Weekly returns from department stores indicate that there was no marked change in consumer buying during September, but that sales were apparently holding to seasonal trends. Comparative gains over last year, however, were not as large as in August, for at this time a year ago sales were expanding faster than was seasonally expected. In the first week of September there was some buying of food staples in anticipation of price advances, but this was said to have subsided when it became apparent that no shortage of foodstuffs was imminent. Prices of some foods, such as sugar, flour, and meats rose during the buying spurt, but retail prices of most other products have not yet advanced to any important degree.

The general improvement in the retail trade situation during August was reflected in figures relating to credit sales and collections on outstanding accounts. Special sales promotions on high-priced merchandise, such as furniture, resulted in a more-than-seasonal increase in the proportion of installment to total sales, while in relation to outstanding accounts at the beginning of the month, collections on both regular thirty-day charge accounts and installment contracts were better than in any other August for several years.

Wholesale

Wholesale trade also expanded seasonally during August, with total sales of the 223 fourth district firms reporting to the *Department of Commerce* rising nine percent over July. Gains were quite general, both by types of merchandise handled and by localities. This was also true of comparisons with the same month last year, an average rise of seven percent being reported. The largest advances were reported by firms located in Cleveland, Canton, and Toledo, whereas sales by dealers in Youngstown, Erie, and Columbus were slightly below last year. As shown in the table

on page seven, total sales in the first eight months of the year were five percent higher than in 1938, with the largest gains being made by dealers in metals, industrial hardware, and lumber.

Purchasing policies in the wholesale trade remained conservative during August, and at the end of the month inventories were slightly below those on hand a year earlier. Collections continued strong.

CONSTRUCTION

Total construction contracts awarded in the fourth district during the first eight months of the year were the largest since 1930, and they were 45 percent higher than in 1938. During August and early September, therefore, the construction industry continued to operate at a high rate as work progressed on these projects, but there was some falling-off in new contracts awarded. In August they amounted to \$31,513,000 in this district, a drop of 17 percent from July, 22 percent below the high June figure, and five percent lower than in August 1938. This was the first time in more than a year that no gain over the corresponding month of the previous year was reported.

Most of the recent decline in construction contracts was in the field of Government activity, particularly housing, and absence of any substantial volume of this type of work also accounts for the unfavorable comparison with last year. Private building was well maintained through the summer months, though there was some falling-off from the seasonal peak reached in May. Construction of one- and two-family houses increased slightly during August as dwellings built for sale or rent were in somewhat greater volume than in July.

Wholesale lumber and building supply dealers report they experienced some increased volume of business during August as retailers anticipated price advances resulting from higher production costs and improved consumption. Firms reporting to the *Department of Commerce* sold forty percent more merchandise than in the same month last year. In September, this expansion in demand was said to have reached almost boom proportions as retailers hastened to rebuild depleted stocks before war-stimulated price increases would take effect. It was stated that mills were unable to meet this unforeseen demand, and prices of most grades of lumber were raised as much as ten percent.

AGRICULTURE

Crop prospects as a whole improved during August, and on September 1 the Crop Reporting Board of the *Department of Agriculture* revised its production estimates for most major fourth district crops. In some areas, however, the weather has been too dry for proper development, and yields of late crops may not come up to earlier expectations. Pastures have suffered, and milk production has not increased as much as usual in September. The dry weather has also hindered preparation of seed beds for the 1940 wheat crop.

Corn The outlook for corn remained almost unchanged during August, and at the end of the month fourth district production was expected to total 204,600,000 bushels. This represents a gain of nearly three percent over last year, and 25 percent over the ten-year 1928-37 average. The large crop is attributed to prospects of unusually high yields, for in Ohio production per acre is expected to average 48 bushels, compared with 44 bushels last year.

and 36.5 bushels the ten-year average. September drought conditions were inducing some farmers to cut corn before maturity, and grain left standing was not filling properly. The Secretary of Agriculture announced that prospective supplies in the entire country were low enough to make a referendum on marketing quotas unnecessary. Nevertheless, ample supplies of feedstuffs appear available, and feeding operations are expected to be even heavier than last year.

Tobacco The tobacco crop improved during August, and on September 1 the Crop Reporting Board estimated that production in the fourth district would exceed that of last year by more than 13 percent. Dry weather during the cutting season was especially beneficial, and the leaf in most important producing regions of eastern Kentucky and Ohio was said to be curing well. In nearly all areas of this district a crop of high quality was reported, though less satisfactory conditions prevailed in other Burley regions.

Fruit Fruit prospects as of September 1 were little changed from a month earlier, as growing conditions in August were satisfactory in most areas. In mid-September, harvesting of apples and grapes was progressing well, with yields unusually good. Market prices of these fruits have declined, and in early September they were lower than last year.

Debits to Individual Accounts

(Thousands of Dollars)						
4 Weeks ended	% change from	Year to Date	Year to Date	% change from	Year to Date	Year to Date
Sept. 20, 1939	1938	Dec. 29, 1938 to Sept. 20, 1939	Dec. 30, 1937 to Sept. 21, 1938	1938	Dec. 30, 1937 to Sept. 21, 1938	Dec. 30, 1937 to Sept. 21, 1938
Akron.....	58,778	+17.2	554,760	+14.4	485,025	+14.4
Butler.....	8,169	+15.4	75,817	+4.9	72,266	+4.9
Canton.....	32,776	+17.8	293,524	+14.7	255,974	+14.7
Cincinnati.....	298,741	+10.5	2,699,551	+3.9	2,597,382	+3.9
Cleveland.....	488,892	+9.5	4,663,843	+9.9	4,245,414	+9.9
Columbus.....	160,454	+9.8	1,466,126	+5.3	1,391,749	+5.3
Dayton.....	60,998	+8.5	541,823	+3.1	525,376	+3.1
Erie.....	24,615	+9.3	225,794	+4.7	215,670	+4.7
Franklin.....	2,880	+5.5	23,796	+3.2	24,592	+3.2
Greensburg.....	5,297	+1.0	56,213	+1.9	57,322	+1.9
Hamilton.....	10,045	+4.4	91,209	+2.5	88,989	+2.5
Homestead.....	2,979	+23.2	27,129	+7.7	25,196	+7.7
Lexington.....	19,449	+6.4	201,281	+0.03	201,229	+0.03
Lima.....	13,733	+16.9	113,730	+5.4	120,217	+5.4
Lorain.....	4,925	+5.1	42,730	+7.0	39,918	+7.0
Middletown.....	9,355	+16.8	88,060	+18.3	74,451	+18.3
Oil City.....	9,324	+15.7	82,339	+0.5	81,930	+0.5
Pittsburgh.....	573,103	+0.5	5,270,777	+1.8	5,175,988	+1.8
Sharon.....	7,242	+9.9	67,739	+7.5	63,034	+7.5
Springfield.....	15,251	+6.0	146,198	+3.7	140,937	+3.7
Steubenville.....	9,340	+18.1	79,711	+9.6	72,717	+9.6
Toledo.....	106,830	+9.1	999,300	+8.5	921,266	+8.5
Warren.....	8,641	+22.3	80,604	+18.1	68,251	+18.1
Wheeling.....	23,910	+5.6	248,195	+6.3	233,498	+6.3
Youngstown.....	45,006	+25.6	382,960	+15.9	330,551	+15.9
Zanesville.....	7,582	+11.3	69,647	+8.9	63,955	+8.9
Total.....	2,008,315	+7.1	18,592,856	+5.8	17,572,897	+5.8

Fourth District Business Indexes

(1923-25 = 100)

	Aug. 1939	Aug. 1938	Aug. 1937	Aug. 1936	Aug. 1935
Bank debits (24 cities).....	78	70	92	81	71
Commercial Failures (Number).....	32	56	33	30	52
(Liabilities).....	16	23	12	10	62
Sales—Life Insurance (O. and Pa.).....	70	63	83	80	85
—Department Stores (48 firms).....	73	65	80	72	61
—Wholesale Drugs (5 firms).....	108	102	110	94	86
—Dry Goods (5 firms).....	50	40	55	54	46
—Groceries (61 firms).....	75	72	87	80	74
—Hardware (10 firms).....	70	64	88	78	63
—All (81 firms).....	71	67	84	77	68
—Chain Drugs (4 firms)**.....	90	89	96	87	82
Building Contracts (Total).....	66	70	61	44	41
(Residential).....	61	69	55	44	23
Production—Coal (O., W. Pa., E. Ky.).....	73	60	75	75	58
—Cement (O., W. Pa., E. Ky.)*.....	114	94	91	103	76
—Elec. Power (O., Pa., Ky.)*.....	185	168	189	179	153
—Petroleum (O., Pa., Ky.)*.....	118	117	135	125	119
—Shoes.....	140	140	136	140	145

* July.

** Per individual unit operated.

Wholesale and Retail Trade

(1939 compared with 1938)

	SALES August 1939	Percentage Increase or Decrease first 8 months 1939	STOCKS August 1939
DEPARTMENT STORES (53)			
Akron.....	+20.3	+16.8	+7.6
Cincinnati.....	+9.1	+5.0	+0.9
Cleveland.....	+12.5	+6.1	+3.9
Columbus.....	+7.8	+7.0	+7.1
Erie.....	+10.6	+5.0	+10.0
Pittsburgh.....	+8.7	+3.0	+3.9
Toledo.....	+14.7	+9.3	+3.8
Wheeling.....	+1.2	+0.3	+5.6
Other Cities.....	+21.8	+14.4	+5.0
District.....	+11.7	+6.5	+1.4
WEARING APPAREL (13)			
Cincinnati.....	+6.7	+6.1	+2.1
Cleveland.....	+3.3	+7.1	+0.5
Pittsburgh.....	+2.4	+1.0	+1.3
District.....	+2.6	+3.4	+0.3
FURNITURE (40)			
Cincinnati.....	+14.2	+4.6	+19.9
Cleveland.....	+1.3	+19.9	+16.8
Columbus.....	+21.8	+8.6	+4.5
Dayton.....	+19.6	+28.8	+17.0
Toledo.....	+3.5	+17.0	+17.0
Other Cities.....	+32.7	+17.0	+17.0
District.....	+5.2	+17.0	+17.0
CHAIN STORES*			
Drugs—District (5).....	+1.0	1	
Groceries—District (4).....	+5.7	+4.1	
WHOLESALE TRADE**			
Automotive Supplies (11).....	+8.3	+8.0	+8.2
Beer (6).....	+10.3	1	+5.9
Clothing and Furnishings (5).....	+23.9	1	1
Drugs and Drug Sundries (5).....	+6.0	+6.0	1
Dry Goods (5).....	+25.6	+13.2	+5.3
Electrical Goods (16).....	+5.1	+10.7	+1.8
Fresh Fruits & Vegetables (6).....	+0.9	1	+1.9
Grocery Group (61).....	+3.4	+0.5	+6.1
Total Hardware Group (36).....	+14.1	+9.9	+5.3
General Hardware (10).....	+9.8	+4.9	+6.1
Industrial Supplies (14).....	+26.0	+22.8	0
Plumbing & Heating Supplies (12).....	+19.0	+12.6	+3.3
Jewelry (7).....	+10.6	+5.8	+4.6
Lumber and Building Materials (4).....	+41.1	+17.8	+5.5
Machinery, Equip. and Sup. (3).....	+17.1	+0.8	1
Meats and Meat Products (4).....	+1.7	1	+15.0
Metals (3).....	+40.0	+48.2	1
Paints and Varnishes (7).....	+0.6	1	+3.8
Paper and its Products (6).....	+3.9	+9.0	+4.2
Tobacco and its Products (19).....	+2.0	+1.4	+9.8
Miscellaneous (19).....	+3.0	+14.3	+3.1
District—All Lines (223).....	+7.2	+5.4	+0.7

* Per individual unit operated.

** Fourth District wholesale trade data supplied by U. S. Department of Commerce.

1 Not available.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	August 1939	% change from 1938	Jan.-Aug. 1939	% change from 1938
Bank Debits—24 cities.....	\$2,108,000	+10.7	\$16,632,000	+ 5.2
Savings Deposits—end of month: 40 banks, O. and W. Pa.....	\$ 775,739	+ 0.2	1	1
Life Insurance Sales:				
Ohio and Pa.....	\$ 67,877	+13.6	614,415	+13.7
Retail Sales:				
Dept. Stores—53 firms.....	\$ 19,017	+11.7	153,706	+ 6.5
Wearing Apparel—13 firms.....	755	+ 2.7	6,293	+ 3.4
Furniture—40 firms.....	812	+ 5.2	6,204	+17.0
Building Contracts—Total.....	\$ 31,513	+ 5.3	256,143	+45.0
—Residential.....	10,499	+10.9	94,662	+57.9
Commercial Failures—Liabilities.....	\$ 725	+27.5	9,172	+38.2
—Number.....	46 ²	+43.2	575 ²	+15.9
Production:				
Pig Iron—U. S..... tons	2,661	+77.9	17,538	+64.8
Steel Ingot—U. S..... tons	3,764	+48.4	25,517	+66.8
Auto-Passenger Car—U. S.....	61,384 ²	+ 4.7	1,794,223 ²	+62.8
Auto—Trucks—U. S.....	38,484 ²	+20.8	476,901 ²	+43.1
Bituminous Coal, O., W. Pa., E. Ky..... tons	13,260	+22.3	81,269	+ 8.2
Cement—O., W. Pa., W. Va. bbls.	1,496	+20.1	6,899	+19.7
Elec. Power, O., Pa., Ky..... thous. k.w.h.	1,556 ³	+ 1.7	11,207 ⁴	+ 5.3
Petroleum—O., Pa., Ky..... bbls.	2,172 ³	+ 6.1	14,925 ⁴	+16.6
Shoes..... pairs	5	0	5	+10.4
Tires, U. S..... casings	5,492	+36.0	37,194	+60.2
Bituminous Coal Shipments:				
L. E. Ports..... tons	6,587	+31.7	20,983	+ 7.5
¹ not available			⁴ Jan.-July	
² actual number			⁵ confidential	
³ July				

1 not available

2 actual number

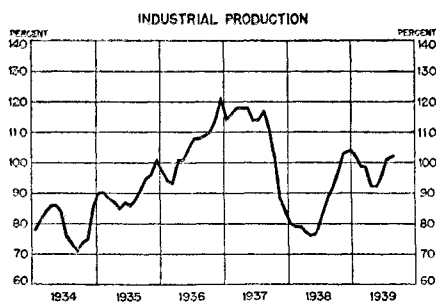
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4 Jan.-July

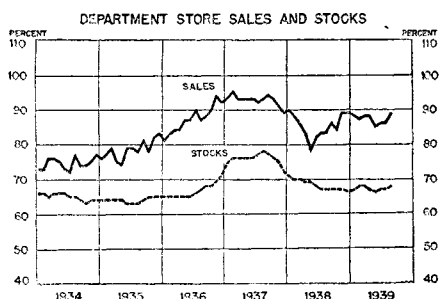
5 confidential

Summary of National Business Conditions

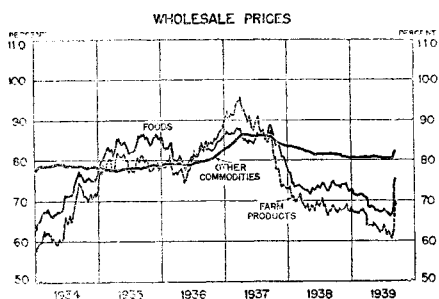
By the Board of Governors of the Federal Reserve System



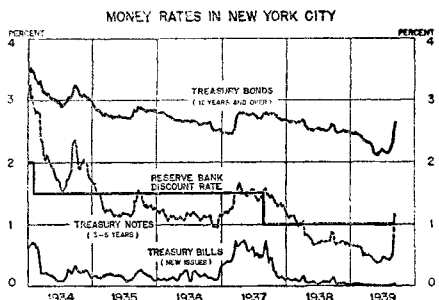
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to August 1939. Latest figure—102.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 = 100. By months, January 1934 to August 1939. Latest figures—Sales 89; stocks 63.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending September 16, 1939. Latest figures—farm products 69.7; foods 75.5; all other commodities 82.4.



For weeks ending January 6, 1934, to September 16, 1939.

Industrial activity, which had increased substantially during the summer, showed a sharp advance in the first half of September after the outbreak of war in Europe. Prices of basic commodities and equity securities rose sharply while prices of high-grade bonds declined.

Production

In August, the Board's seasonally adjusted index of industrial production was at 102 per cent of the 1923-1925 average as compared with 101 per cent reached in July. Volume of manufacturing production increased further, but mineral production declined, owing to a temporary curtailment in output of crude petroleum. In the iron and steel industry output increased somewhat further in August and rose sharply in the first half of September, steel ingot production reaching a rate of 70 per cent of capacity in the week ending September 16 as compared with about 63 per cent at the beginning of the month. Automobile production showed about the usual sharp seasonal changes in this period as the shift to new model production was being made. Output of plate glass increased sharply. Production of nondurable manufactures advanced in August, reflecting chiefly increased activity at cotton and woolen textile mills. At meat-packing establishments activity declined less than seasonally, while at flour mills, where output has been at a high rate in recent months, there was not the usual large seasonal increase. Shoe production advanced seasonally. At coal mines output increased by about the usual seasonal amount and shipments of iron ore were at the highest rate of this season. Petroleum production declined sharply during the latter half of August, reflecting shutdowns of wells in most of the principal oil producing states, but increased rapidly in the first half of September when the wells were reopened.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in August, owing to larger awards for publicly-financed projects, including several large dams and an increased volume of United States Housing Administration projects. Private residential building showed little change, although there is usually some seasonal decline. Other private construction, which in July had been the highest for any month in two years, declined in August.

Distribution

Department store sales increased more than seasonally from July to August. The Board's adjusted index advanced from 86 to 89 per cent of the 1923-1925 average and was at about the level reached in the latter part of last year. Sales at variety stores showed little change in August.

Freight-car loadings rose somewhat further in August, reflecting chiefly continued increases in shipments of coal and miscellaneous freight.

Commodity Prices

Prices of most basic foodstuffs and industrial materials advanced sharply in the first half of September. Prices of wheat, corn, sugar, cocoa, and vegetable oils as well as of hides, rubber, wool, zinc, and tin showed the largest increases. The general level of wholesale commodity prices as measured by the Bureau of Labor Statistics index rose 3.1 points and in the week ending September 9 was at 78.4 per cent of the 1926 average, about the same level as a year ago.

Agriculture

Crop prospects showed some improvement on September 1 over a month earlier, according to the Department of Agriculture. Indications are that production of all leading crops except cotton will be average or above average in volume. A cotton crop of 12,380,000 bales, about 10 per cent below the 1928-1937 average, is forecast. This compares with a crop of 11,940,000 bales in 1938 and an estimated world consumption of 11,265,000 bales of American cotton during the past season.

Government Security Market

Average yields on long-term Treasury bonds, which had advanced fractionally since last June, increased sharply by about $\frac{1}{2}$ of 1 per cent in the latter half of August and early September. In pursuance of the System's policy of endeavoring to maintain orderly conditions in the money market, the Federal Reserve banks during the first half of September increased their holdings of Government securities by about \$400,000,000. On September 1 the Board of Governors of the Federal Reserve System announced that the Federal Reserve banks are prepared at this time to make advances on Government obligations to member and non-member banks at par and at the same rate of discount.

Bank Credit

Total investments held by reporting member banks in 101 leading cities declined during the first half of September. At New York City banks the decline represented the redemption at maturity of Federal Farm Mortgage Corporation bonds and at banks in other leading cities it represented the sale of Treasury bills and bonds. Commercial loans of city banks showed a substantial growth during August and the first half of September.