

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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Operating rates in most fourth district industries expanded rapidly in September and the first three weeks of October. Inventory buying based partly on expectations by businessmen that prices might increase and deliveries might be delayed as a result of the war stimulus to domestic industry was superimposed on a gradual rise already in progress. This situation, combined with seasonal expansion in the important automobile industry, raised employment and production in most fourth district factories to the highest level since the fall of 1937. The result of expanding production has been to build up raw material and goods in process inventories, but insufficient time has elapsed for this heavier volume of operations to be reflected to any great extent in larger stocks of finished goods. Consumer demand for the finished product has picked up somewhat, but the gain in retail sales has not kept pace with production. Industrial expansion programs, which might absorb a large part of current output, have not yet appeared in substantial volume, although there is a considerable amount of retooling and repair of equipment. Railroads have been very active in the purchase and repair of rolling stock; some proposed construction in the utility field has been announced, and steel mills are rebuilding furnaces in an attempt to cope with present demand.

Orders for steel have been so great that operations in the industry were raised from 64 percent of theoretical capacity in the last week of August to 91 percent in the third week of October. This rise is particularly favorable to conditions in this district, for steel is the most important local industry and approximately half of the national output is produced in this area. Nearly all available equipment has been placed in service and repairs are being rushed on additional open-hearth and blast furnaces. Although present operating rates have been exceeded in the past, total capacity is now larger than formerly, and current output is at the highest level in history.

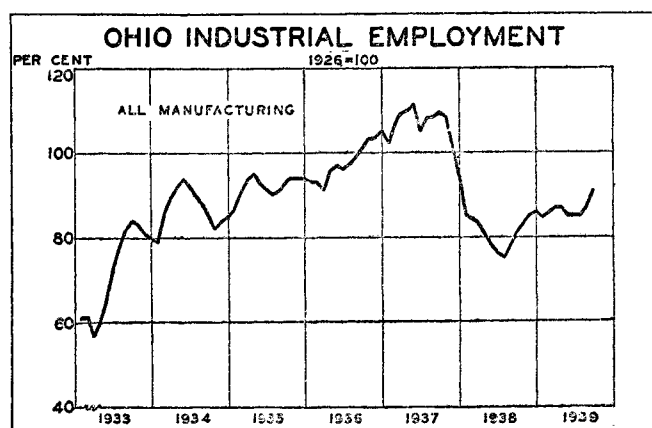
Expansion in the steel industry has been reflected in many associated fields. Lake shipping has become more active as attempts are being made to build up ore stocks at furnaces or lower lake ports before the close of the shipping season. On October 15, nearly 95 percent of the lake fleet was in commission, with all but one of the active boats in the coal and ore trade. Coal production rose during September and early October as shipments to upper lake ports expanded, industrial consumption increased, and domestic users made seasonal purchases. Local railroads

reported the largest number of carloadings in more than ten years.

The rush to prepare for expected demands on domestic industry resulted in an unprecedented volume of machine tool buying during September and early October. Backlogs in the industry are so large that deliveries must be deferred for a considerable period. Under these conditions the difficulty of determining what constitutes a firm order has caused the *National Machine Tool Builders' Association* to cease compiling its index of new orders. Purchases of electrical machinery and other heavy industrial equipment also expanded sharply in September and early October.

Automobile production rose seasonally from the low point in August, but in mid-October the advance was halted by labor disputes involving assembly lines of one major producer. Parts makers reported that releases to other manufacturers have exceeded expectations. New passenger car registrations in early October were apparently keeping pace with increased production. Tire shipments, particularly to the replacement market, were unusually high in September and early October.

The net effect of changes in industrial production has been to increase employment materially, but the full extent of the advance is not yet reflected in available data. As shown in the accompanying chart, the number of wage earners employed by Ohio manufacturing establishments rose nearly five percent from mid-August to mid-September, at which time employment was the highest since October 1937. Fragmentary data indicate that the upward trend has continued since mid-September. In Cleveland, the



number of wage earners at the end of September was nine percent higher than at the beginning of the month, and in Canton and Massillon employment in mid-October was nine percent higher than a month earlier. In Toledo, the number of workers reached a peak for the year in early October, but subsequently declined as shipments of automobile parts were deferred because of the shut-down of Detroit assembly lines.

### FINANCIAL

**Federal Reserve Bank Credit** Total credit extended by the Cleveland Federal reserve bank advanced sharply in September as the result of participation in the System's open market purchases of Government securities. Security holdings were also increased on October 1 as the result of the regular quarterly reallocation of the System's open market account. A minor increase in discounts for member banks also occurred, so that total holdings of bills and securities reached a high of \$290,613,000 on October 4, a gain of nearly 20 percent since the end of August. In the two weeks ended October 18 there was a small decline in this total as maturing Treasury bills were not replaced.

Purchases of Government securities by the Open Market Committee and continued withdrawal of funds from the reserve banks by the Treasury in order to provide for current expenditures placed a large additional amount of funds in the hands of banks generally. Member bank reserve balances in this district rose \$76,000,000 in the seven weeks ended October 18, on which date they were the highest on record. Most of the additional funds remained idle, and in mid-October reserves were nearly 80 percent in excess of requirements.

**Member Bank Credit** Commercial and industrial loans outstanding at principal banks in leading cities of the fourth district showed little net change during the four weeks ended October 18. This is in sharp contrast to the steady growth in loans reported by these banks during the summer months and the first part of September, and it is also contrary to experience of banks in other parts of the country, where commercial and industrial loans continued to expand until the third week in October. So-called "other loans" at fourth district weekly reporting banks showed a tendency to decline in the four latest weeks, whereas in the country as a whole they remained unchanged.

Investment policies of weekly reporting member banks in this district remained relatively unaffected by recent changes in security prices and interest rates. Holdings of Treasury bonds and fully-guaranteed Government obligations, after having been reduced slightly in September, were again built up in October, although on the latest date bond holdings were still somewhat below the level of late August. Small quantities of Treasury notes and other securities were sold early in October.

Demand deposits rose to a new peak of \$1,295,000,000 on October 18, compared with \$1,108,000,000 on the corresponding date a year earlier. Time deposits, however, remained at a slightly lower level than in August or September, and were two percent below a year ago. A few banks reported that customers had drawn upon savings accounts in order to purchase securities.

### MANUFACTURING, MINING

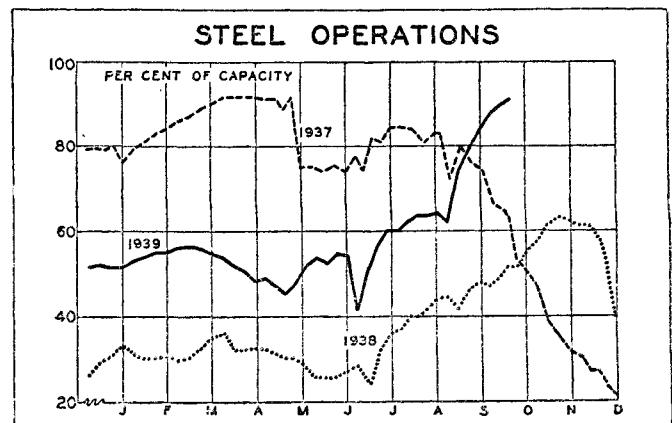
#### Iron and Steel

Demand for steel materials from practically all sources has been so great that mills, in an effort to satisfy customers and deliver as much steel as possible before the year end, have stepped up operations very sharply. Activity in steel-consuming industries, however, indicates that actual steel consumption is somewhat below current ingot production. One uncertainty which seems to have been an important factor in the latest buying movement would be removed if first quarter steel prices were announced. Rising raw material costs and certain finished steel price increases have led many to assume that first quarter steel prices will be raised, but up to late October the mills have given no indication as to what may develop. Nevertheless, it is reported that some orders are being placed for delivery in the first quarter of 1940 on a price-on-delivery basis where rolling schedules do not permit acceptance of such business for delivery before January 1.

Scrap prices rose sharply from an average of \$17.97 for September to \$22.16 the first week of October, breaking through the previous high of \$22.08 at the beginning of April 1937, in *Steel's* composite of steelmaking grades. Temporary cessation of buying caused a drop to \$21 in mid-October, but this proved to be temporary, although in the latest week the price was still below the recent peak.

Expansion in steel ingot operations has affected all steel districts of the country and the national rate rose from 84 percent of capacity in the last week of September to 91 percent in the week ended October 21. This is practical capacity under present conditions, although work is being rushed on many steelmaking plants and blast furnaces which have been out of service for some time and require major repairs. Some new plant building has recently been announced.

The Pittsburgh rate rose from 79 to 89 percent, Cleveland from 87.5 to 90, and Youngstown from 86 to 94 percent from September 30 to October 21. Chicago expanded its production from 88 to 93 and Detroit held its general level close to 100 percent. The National rate of 91 is the best since the middle of May 1937, when it was 91.5 percent, but because of increased national steel producing capacity, output at present is at the highest rate in history, or close to 64,000,000 tons on an annual basis. The best year on record was 1929 when 56,000,000 tons were turned out. Larger suppliers are reported to be having difficulty in scheduling additional orders, but some smaller steel-makers are able to take on further tonnage.



Railroad activity is a feature of the present buying wave. A large number of cars and heavy rail tonnages have been ordered, much of the latter being for delivery next year. This over-buying represents a rebound from the conditions of several years when rolling stock and right of way were allowed to run down. Tin plate production also has increased, reaching 95 percent of capacity near the close of October. While much export tonnage has been offered, producers are giving precedence to domestic business.

Structural steel orders have continued at a satisfactory rate, with an increasing proportion of private work, though public projects continue to lead. Average placements exceed those of 1938.

Steel ingot output in September totaled 4,231,310 gross tons, 62.66 percent of capacity, compared with 3,763,418 tons, 52.40 percent of capacity in August. Production for nine months totaled 29,748,042 tons, compared with 17,947,131 tons in the comparable period last year and exceeding the 27,742,000 tons for all of 1938.

Activity at blast furnaces showed the sharpest rise in 17 years during September, thirty-one additional blast furnaces being blown in. The daily rate in September was 95,757 tons, compared with 85,823 tons in August. Total production for nine months was 20,410,329 tons, compared with 12,322,785 tons in the corresponding months of 1938. September output did not accurately reflect the increased rate of production since many of the added furnaces were blown in late in the month. October figures will more fully reveal the extent of the upswing although a number of furnaces have been started since October 1 and others are being conditioned to resume in a short time.

Every effort is being directed toward increasing supplies of iron ore before the lake shipping season closes, and 287 of the 303 available ore carriers were in service on October 15. This represents 95 percent of the available vessels, while a month ago 87 percent of the fleet was carrying ore, and a year ago only half of the vessels were in commission. September consumption of Lake Superior ore totaled 4,184,884 gross tons, against 3,775,132 tons in August and 2,313,865 tons in September 1937. To October 1 consumption totaled 28,074,239 tons, compared with 16,731,692 tons in the corresponding period of 1938. Stocks of ore on hand increased about 3,000,000 tons during September, but the total supply was somewhat below a year ago.

**Coal** Production of bituminous coal in the fourth district rose in September to the highest level since late 1937 and advanced further in October. September output totaled 14,624,000 tons, 22 percent higher than in the corresponding month a year earlier and almost equal to September 1936, when production was the largest for that month since 1930. Mines which had been operating on a restricted basis shifted to capacity production, and others which had long been closed were reopened.

Although there was some increase in demand for export coal, particularly from Canada, most of the large volume of orders which were responsible for the expansion of output came from domestic sources. Industrial stocks, which had been depleted during April and May when mines were shut down, had been restored to their 1938 levels by the end of August. Nevertheless, they were considerably below those on hand in 1937 and when outbreak of war changed

consumption prospects so radically, purchases were made in large volume. Inventory buying was said to have continued through the first half of October, but subsequent to that time purchases were being more closely governed by current needs. Prices, however, remained firm.

Coal consumption has risen with the expansion in industrial activity. Requirements of steel mills, in particular, have increased, and some plants have experienced difficulty in securing adequate supplies of coke for blast furnace operations. Seasonal demands for stocking domestic consumers have also been heavy. Shipments to upper lake ports during September were 30 percent larger than a year ago, and taxed shipping facilities in spite of the large number of boats in the coal and ore trade. In some cases output at the mines was so large that railroads had difficulty meeting demands for special types of equipment, but this situation was said to have become less common in late October.

### Automobiles

Automobile production expanded rapidly from mid-August through the first week in October as progress was made in the shift to 1940 models. Domestic output of passenger cars totaled 161,625 units in September, 163 percent larger than in August and 148 percent greater than in September of last year. These gains are accounted for by the fact that the shift to new models was made about a month earlier than usual, so that September production is more strictly comparable with October of former years.

The upward trend in output was halted in the second week of October as labor disputes caused cessation of operations on the assembly lines of one major producer. Fourth district parts makers reported that shipments to these plants had been held up, and as a result, employment in the parts industry had fallen off. In Toledo, for example, the number of workers in 51 plants, most of which are automotive, was reduced by ten percent in the third week of October after having reached a new high for the year.

Consumer response to the new models was said to have been favorable. October sales reports are as yet fragmentary, but they indicate that purchases were keeping pace with production. In Cuyahoga County, registrations in the third week of October were approximately equal to the June level.

Domestic retail sales of cars and trucks in September were only 19 percent below August and 46 percent above September of last year, according to the *Automobile Manufacturers' Association*. This favorable September showing brought the total gain for the first nine months of the year over the corresponding period in 1938 to 42 percent. In eight major Ohio counties, new passenger car registrations during September declined 24 percent from August, but they were 114 percent higher than a year ago and the cumulative nine-month gain was 80 percent.

Contrary to the trend in passenger car production, truck assemblies in September were not as large as in August. Output was still nearly 50 percent in excess of last year, however, and the total gain for the first three quarters of the year was 43 percent. Late in October it was announced that some producers had received orders for delivery of a large number of trucks to belligerent powers, and additional inquiries were pending. The total volume of this business, however, is not large relative to domestic sales.

### Rubber, Tires

The rubber industry, although operating at high levels during August, expanded further in September. Crude rubber consumption, on a daily average basis, was seven percent larger than in August, and slightly exceeded the rate at which it was consumed in March 1937 when the record for consumption in any one month was established. Because of the fact that September contained two less business days than March 1937, the total for the month, 50,150 tons, did not equal the record of 54,129 tons set in 1937.

This expansion in production was traceable to large purchases of mechanical rubber goods as industrial activity increased and consumers expected that prices might rise, an earlier than usual pickup in shipments of original equipment tires to automobile manufacturers, and an unusually large volume of sales in the replacement market as dealers and operators of large bus and truck fleets sought to build up inventories in anticipation of possible higher prices. September shipments of original equipment tires reflected earlier introduction of new models, being more than double those shipped in August and approximately equal to the number taken by automobile manufacturers in October 1938.

Replacement tire shipments, as shown in the accompanying chart, have been unusually high throughout the current year. In September they were the largest for that month since 1928. The chart shows that sales to this market have not followed seasonal patterns this year, for usually the trend is steadily upward from February to a peak in August, after which sales fall off sharply. In 1937 and 1938 replacement shipments followed this pattern closely, with the exception of March 1937 when sales were stimulated by a price advance which took effect April 1. This year, however, the peak was reached in June when presumably temporary price reductions apparently caused some buyers to anticipate needs. Price weakness was also evident in July and August, and sales were only slightly below June. In September, with prices of crude rubber and other raw materials advancing sharply, tire manufacturers reported a burst of buying as dealers and large consumers attempted to stock up at prevailing tire prices. Orders continued in heavy volume through the first half of October, but in the third week of the month it was stated that replacement sales had fallen off sharply. Unfilled orders were so large, however, that with manufacturers' stocks low and original equipment needs expanding, production was being maintained at September levels.

The high level of operations throughout the industry during September again resulted in a reduction of crude rubber stocks available in the United States. Consumption exceeded imports and the *Rubber Manufacturers Association* estimated that domestic stocks amounted to only 150,171 tons at the end of the month, 44 percent below a year ago, and only three months' supply at the current rate of consumption. Crude rubber prices, however, remained relatively stable in the first three weeks of October, ranging between 19 and 21 cents per pound, compared with a high of 24 cents early in September and an average of 16.7 cents in August.

### Textiles and Clothing

Production at most clothing factories and textile mills continued at a high rate during September and early October, but there were some delays in the transition to spring lines occasioned by inability to price merchandise under such

uncertain conditions as prevailed in September. Recently, however, with prices of most textile materials demonstrating more stable tendencies, manufacturers have been accepting orders for spring delivery. Makers of worsted fabrics report that with prices 30 to 40 cents per yard higher than before outbreak of war, they have already received enough business to assure near capacity operations for the next four months, and that additional orders are not being actively solicited. Nearly all men's clothing makers state that advance orders on spring merchandise are substantially above last year, with gains as high as 50 percent being reported.

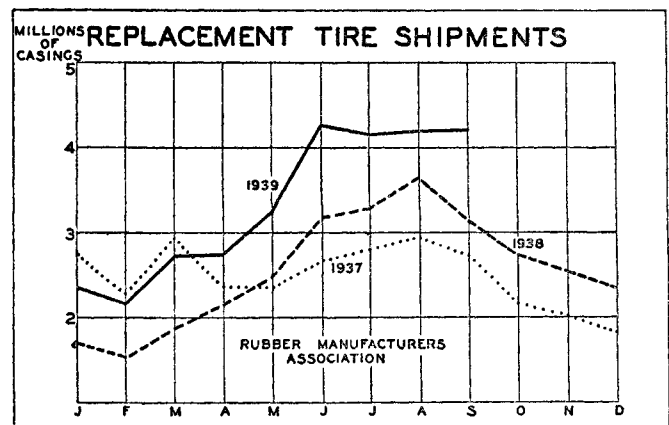
Prices of textile materials such as wool, worsted fabrics, and cotton print cloths declined somewhat in late September and early October, but have displayed a tendency toward greater stability at levels slightly below recent peaks. Wool tops in New York, for example, after reaching a high of \$1.31 per pound late in September, were holding at about \$1.20 per pound in the latter part of October. This compares with a price of 84 cents per pound a year ago.

Since most price advances have pertained to merchandise to be used in fabricating spring lines, retail prices of fall and winter goods have not yet been affected. Retail prices of clothing and textile products, according to indexes compiled by *Fairchild's Publications*, were generally unchanged during September, but there were a few minor upward movements.

### Other Manufacturing

Other manufacturing industries generally reported conditions similar to those prevailing in major fourth district products during September and early October. Sales increased sharply and in many cases orders have been sufficient to assure capacity operations through the end of the year. Many raw material prices rose, but prices of finished goods have not yet generally advanced. Opinion differs as to the extent to which current buying represents building up of inventories rather than increased needs for fabrication.

The machine tool industry was one of the first to benefit from the rapid increase in industrial activity. At the end of August many tool makers already had substantial backlogs on their books and when the outbreak of war occurred, customers who had been considering replacement or expansion programs rushed to place orders for machine tools in order to insure delivery. A survey by the *National Machine Tool Builders' Association* revealed that domestic orders in the first half of September exceeded the total amount received from this source during the entire month



of August. Buying continued on a heavy scale during the remainder of September and the first three weeks of October; indications are that September orders were the largest in the history of the industry. Backlogs became so great that in some cases delivery can not be promised for some time. Under these conditions the Association ceased compiling its index of orders, stating that the difficulty of determining what constituted a firm order made new order figures unreliable as an indication of conditions in the industry. In spite of the heavy influx of orders, prices in general have not advanced, although there have been a few increases on specific machines. Every effort is being made to expand production, and innovations designed by engineering departments are being deferred until operating rates ease off.

Makers of other heavy machinery also reported a large increase in new business during September and early October. The index of new orders compiled by the *Foundry Equipment Manufacturers' Association* rose 40 percent during September, and was the highest since October 1937. It was still well below the 1937 peak, however. Sales of electrical machinery also expanded during September and early October. Producers of mining equipment, who attributed increased sales during September largely to inventory buying, reported that orders continued at a high level during the first half of October. Production has been stepped up, hours of work increased, and additional workers hired.

Screw and bolt manufacturers likewise report a continued high volume of incoming orders in mid-October. Most plants in the industry are said to be operating at capacity with enough orders on hand to require maintenance of present levels at least until 1940. Inventory buying is said to be an important factor, but a large number of bolts are now being consumed in many fabricating lines. Railroad equipment builders and repair shops have been purchasing unusually large quantities as the result of greater activity in that field. Screw and bolt price lists have not been raised, but reductions from these lists which were common earlier in the year are no longer being granted.

The paint industry also benefited from improved industrial conditions and inventory buying during September and early October. Some important units in the industry reported the largest sales in their history during September, with a continuation of the gain in October. Sales of industrial paints were particularly heavy.

Glass production increased sharply in September and early October. Output of plate glass in September rose 30 percent over August as demand from the automobile

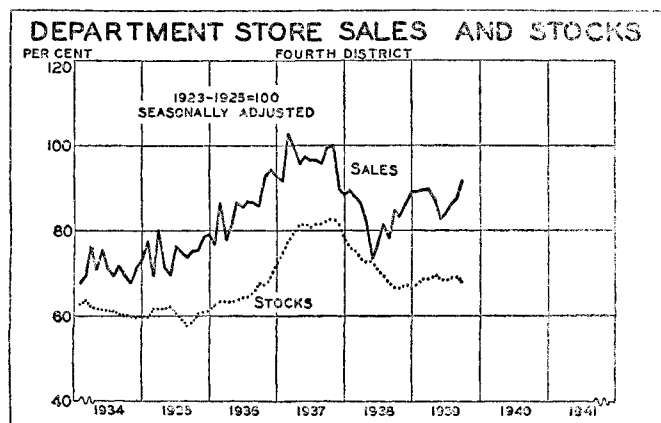
industry expanded. This pickup was of a seasonal nature, although occurring at an earlier date than in former years. Window glass production also rose, but the gain was not as large as in the plate glass branch of the industry. Output was at the rate of 56 percent of capacity, compared with 53 percent in August and 43 percent in July. Orders have increased steadily since July, and in mid-October their character did not seem to indicate speculative buying. Orders were numerous, but small, and requests were made for immediate shipment.

In mid-October the box and paper board industries reported that they had been swamped with orders in the preceding six weeks. Production, therefore, had been stepped up from an average of 72 percent of rated capacity in August to about 85 percent in October, a level which is considered by the trade to be close to practical capacity. Some plants are operating continuously on four six-hour shifts, while others are paying employees overtime. Nevertheless, the current backlog of orders is more than twice what it was at the end of August. Prices of both raw materials and finished products have advanced sharply. Makers of fine paper also have experienced increased business. In some cases September production was said to be as much as twelve percent larger than last year, and orders were double production. New business had eased off somewhat in October, but substantial backlogs existed.

Domestic business of office equipment manufacturers picked up considerably in September, thus carrying forward an upward movement which started early in the summer. Foreign sales, however, were mixed, with expansion in some quarters being offset by loss of private markets in belligerent countries.

Most producers of consumers' goods reported a larger volume of orders in September and early October than prevailed during the summer, but increases were generally attributed to building up of inventories by retailers in anticipation of greater consumption. China and pottery plants, watchmakers, and manufacturers of kitchen equipment all reported this situation. Operating rates in the dinnerware plants of the ceramic industry are close to capacity.

Shoe production at fourth district factories declined seasonally in September and output was on a restricted basis in mid-October. Work on fall lines was being completed and salesmen had not yet been sent out with samples of spring merchandise. Retail sales were hampered by unusually warm weather in September, and fill-in orders were not in large volume. Some retailers have purchased quantities of staple shoes, but there seems to have been little forward buying in the fashion field.



## TRADE

### Retail

Retail trade in the fourth district rose sharply in September as anticipation of price increases, larger payrolls, and seasonal factors combined to raise sales volume in nearly all lines. The run on food staples which occurred soon after war broke out was largely responsible for a 20 percent increase in chain grocery sales during September as compared with August. The gain over the corresponding month last year was 24 percent. Sales at department stores, as shown in the accompanying chart, advanced more than seasonally, and the adjusted index rose four points to 92 percent of the 1923-25 average, the highest level in nearly two years. With the exception of 1937, sales were larger

than in any other September since 1929 and nine percent greater than a year ago. Sales at weekly reporting stores continued to advance in the first two weeks of October, the percentage gain over the corresponding period a year earlier amounting to over 16 percent.

Purchasing policies in the retail field are said to have been sharply reversed by recent developments, but this situation is not yet reflected in inventory figures. Insufficient time has elapsed since orders were placed for shipments to be received in large volume. As shown in the chart of department store sales and stocks, the more-than-seasonal increase in sales during September prevented stocks from rising their usual amount and, on a seasonally adjusted basis, the inventory index fell one point to the lowest level since January. Department stores in general have been pursuing a very cautious policy regarding inventories for nearly two years. After the heavy accumulation of stocks built up in 1936 and 1937 was liquidated, there was only a very slight increase in stocks in spite of substantial recovery in sales. Since February of this year changes have followed seasonal patterns very closely, with the adjusted index remaining between 68 and 69 percent of the 1923-25 average.

Installment sales remained at a high level during September and collections on both regular charge accounts and installment contracts continued to improve.

**Wholesale** Increased activity was also reflected in the wholesale trade during September; the gain over August, as reported to the *Department of Commerce* by 229 fourth district wholesale firms, amounted to 16 percent. Sales increases were experienced by nearly all groups, but there were some seasonal declines. Paint sales, for example, fell 15 percent, but they were still nine percent larger than a year ago. In comparison with last year, substantial gains were reported by nearly all lines. The table on page seven shows that the average increase in dollar volume of wholesale trade was 19 percent and that the largest advances were made by dealers in metals, industrial supplies and dry goods.

It is still too early for any changes in purchasing policies of these firms which may have resulted from recent developments to have been reflected in inventory data. Stocks rose four percent during September, indicating that receipts were more than sufficient to balance higher sales, but a large amount of goods were purchased in September which have not yet been delivered and therefore are not included in stocks on hand.

As the result of increased sales, accounts receivable at the end of September were larger than a month earlier. Collections were slightly better than in August.

### CONSTRUCTION

Total construction contracts awarded in the fourth district during September amounted to \$34,232,000, according to data compiled by the *F. W. Dodge Corporation*. On a daily average basis, this represented a gain of 17 percent over August, and a recovery of part of the ground lost during July and August when the value of contracts awarded failed to equal the year's high of \$40,510,000 established in June. Projects started in September were nine percent larger than in the corresponding month last year.

Both public and private building rose over August levels, but the largest gain was made by private work,

which accounted for 54 percent of the total value of construction contracts awarded during September. In the first eight months of the year it was only 47 percent of the total. There was some increase in factory building in northern Ohio and western Pennsylvania, but this type of construction still was of relatively minor importance. The pickup in industrial activity has resulted in some additions to plant and factory space, but these expansion programs have not yet become abundant. It is reported, however, the several plans for new construction which were deferred in 1937 are now being reconsidered. Residential building, particularly single residences, rose against the seasonal trend during September as both individual owners and speculative builders expanded operations. With the exception of April and May of this year, the dollar volume of one- and two-family houses started in the fourth district was larger than in any other month since 1931.

Some of the increase in dollar volume of total contracts awarded during September may have reflected higher lumber and building material prices than prevailed in August, for *Boeckh's* indexes of construction costs rose from five to eight percent during the month. Anticipation of such price increases, however, appears to have been more important than the increases themselves.

### AGRICULTURE

The relative position of agriculture improved early in September as the outbreak of war resulted in sharper increases in prices for most farm products than was the case with articles farmers buy. According to the *Bureau of Labor Statistics*, prices of farm products at wholesale rose an average of 14 percent in the three weeks ended September 16, whereas all commodities other than farm products gained only five percent. Subsequently, farm prices lost about one-fourth of their advance, but in mid-October they were about five percent higher relative to other prices than was the case prior to the outbreak of war. Nevertheless they were still about three percent lower in relation to prices of nonagricultural products than a year earlier. Price advances in early September were most marked in grains, but prices of meat animals also reflected larger demand. Since mid-September, declines have been substantial in corn and hog prices, with more moderate recessions in prices of wheat and beef cattle.

Crop conditions in the fourth district showed little change during September and October, although continued lack of moisture reduced yields of late crops below earlier expectations. Official estimates of production of corn, tobacco, and potatoes, therefore, were lowered somewhat.

**Corn and Feeding** Dry weather during August and September resulted in a small reduction in production estimates of late feed crops. Corn was said to be drying out light in the heavy producing areas of the fourth district, but frost damage was negligible and in mid-October husking was farther advanced than usual at that time of the year. Total supplies of feed grains are expected to be ample, for the carryover from last year's crop was much larger than usual. In Ohio, stocks of old corn on farms October 1 were estimated at 16,214,000 bushels, twelve percent higher than last year, and more than twice the ten-year average. The carryover amounted to ten percent of 1938 production.

Heavy movement of cattle and lambs into the Corn

Belt indicates that farmers in this region are expanding feeding operations. Shipments of stocker and feeder cattle through stockyards in the three months July through September were twelve percent larger this year than last, and they were the largest in twelve years. Direct shipments were also larger than in 1938. Total movement of lambs into the Corn Belt during the three-month period was substantially greater than last year. Country bankers in Ohio and Kentucky report some increase in loans to finance purchase of feeder livestock.

**Tobacco** The dry weather during September was favorable to harvesting of tobacco, and the crop has cured out well. Stripping, however, has been hindered. Present indications are that the crop is light, but of good quality, and that fourth district output will be about ten percent greater than last year. In some quarters it is thought that opening of burley markets may be later than usual because of delays in the Southern region occasioned by temporary withdrawal of British buyers after outbreak of war. Except for this possible delay pending availability of buyers, the war is expected to have little direct effect on burley tobacco, for only a minor portion of this type is exported.

**Fruits** Weather during September and October, although dry, was for the most part favorable to fruits. Apples improved in both condition and quality, and harvesting proceeded rapidly. Prices, however, were considerably lower

than last year. Peaches were also of good quality. Grapes ripened fast and evenly during September and juice plants and wineries were taking grapes in heavy volume during October.

**Wheat** Preparation of seed beds for the 1940 wheat crop was seriously handicapped by drought, and germination was slow and uneven.

**Wholesale and Retail Trade**

(1939 compared with 1938)

DEPARTMENT STORES (53)	Percentage Increase or Decrease		STOCKS September 1939
	SALES September 1939	SALES first 9 months 1939	
Akron.....	+17.2	+16.8	+ 7.5
Cincinnati.....	+ 4.5	+ 4.9	+ 3.0
Cleveland.....	+ 7.4	+ 6.3	+ 3.4
Columbus.....	+ 4.0	+ 6.6	+ 5.6
Erie.....	+11.8	+ 5.8	+ 5.6
Pittsburgh.....	+10.0	+ 3.8	- 4.3
Toledo.....	+ 7.4	+ 9.0	+ 2.9
Wheeling.....	+ 7.3	+ 1.2	+ 0.03
Other Cities.....	+10.8	+13.9	+ 2.8
District.....	+ 8.5	+ 6.7	+ 1.1
WEARING APPAREL (13)			
Cincinnati.....	-12.1	- 6.8	- 4.4
Cleveland.....	+ 1.9	+ 6.4	- 2.8
Pittsburgh.....	+13.1	+ 0.7	+ 3.4
District.....	+ 0.9	+ 3.1	- 0.4
FURNITURE (39)			
Cincinnati.....	+19.1	+ 5.1	
Cleveland.....	+ 3.2	+18.7	
Columbus.....	- 5.0	+13.9	
Dayton.....	+20.3	+ 9.9	
Toledo.....	+12.0	+ 5.4	
Other Cities.....	+49.1	+30.9	
District.....	+ 9.1	+16.5	
CHAIN STORES*			
Drugs—District (5).....	+ 2.1	1	
Groceries—District (4).....	+23.9	+ 6.3	
WHOLESALE TRADE**			
Automotive Supplies (10).....	+ 5.0	+ 7.6	- 4.9
Beer (7).....	+35.9	1	-0-
Clothing and Furnishings (4).....	+ 4.7	1	1
Coal (4).....	+27.0	1	1
Drugs and Drug Sundries (7).....	+ 7.2	+ 6.3	+ 0.3
Dry Goods (5).....	+42.8	+16.8	+ 8.2
Electrical Goods (15).....	+19.9	+11.7	+ 1.2
Fresh Fruits & Vegetables (9).....	- 5.6	1	+ 7.4
Grocery Group (61).....	+19.5	+ 2.0	+ 2.6
Total Hardware Group (39).....	+24.2	+11.7	+ 3.7
General Hardware (9).....	+ 4.1	+ 4.8	+ 7.2
Industrial Supplies (14).....	+60.5	+28.9	- 1.6
Plumbing & Heating Supplies (16).....	+28.7	+14.7	+ 0.7
Jewelry (5).....	+21.1	+ 8.3	+ 4.5
Lumber and Building Materials (3).....	+25.2	+18.5	1
Machinery, Equip. & Sup. (3).....	-0-	+ 0.7	1
Meats and Meat Products (5).....	+16.5	1	+23.4
Metals (3).....	+79.1	+51.9	1
Paints and Varnishes (7).....	+ 9.0	1	+10.0
Paper and its Products (8).....	+18.3	+10.2	- 1.2
Tobacco and its Products (17).....	+ 2.7	- 0.9	- 3.9
Miscellaneous (17).....	+31.2	+16.5	- 1.7
District—All Lines (229).....	+19.3	+ 7.2	+ 1.9

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

**Debits to Individual Accounts**

(Thousands of Dollars)

	4 Weeks ended October 18, 1939	% change from 1938	Year to Date		% change from 1938
			Year to Date to Oct. 18, 1939	Year to Date to Oct. 19, 1938	
Akron.....	71,977	+15.6	626,737	547,286	+14.5
Butler.....	10,102	+24.5	85,919	80,331	+ 6.9
Canton.....	35,722	+25.5	322,246	284,442	+15.8
Cincinnati.....	317,699	+12.1	3,017,250	2,880,771	+ 4.7
Cleveland.....	604,657	+16.4	5,258,300	4,764,841	+10.6
Columbus.....	163,604	+ 0.8	1,629,730	1,554,110	+ 4.9
Dayton.....	61,343	+11.5	603,156	580,337	+ 3.9
Erie.....	27,544	+20.1	253,338	238,613	+ 6.2
Franklin.....	2,986	+ 8.5	26,782	27,343	- 2.1
Greensburg.....	7,130	- 2.0	63,343	64,598	- 1.9
Hamilton.....	11,193	+10.4	102,402	99,124	+ 3.3
Homestead.....	3,014	+27.2	30,143	27,565	+ 9.3
Lexington.....	18,548	- 3.0	219,829	220,343	- 0.2
Lima.....	14,101	+ 8.3	127,831	133,237	- 4.1
Lorain.....	4,920	+14.3	47,650	44,224	+ 7.7
Middletown.....	10,962	+32.4	99,022	82,733	+19.7
Oil City.....	9,788	+14.8	92,127	90,458	+ 1.8
Pittsburgh.....	626,331	+18.2	5,879,108	5,705,743	+ 3.4
Sharon.....	8,714	+16.2	76,453	70,533	+ 8.4
Springfield.....	15,723	+11.8	161,921	155,004	+ 4.5
Steubenville.....	9,823	+17.5	83,534	81,080	+10.4
Toledo.....	117,077	+ 8.3	1,116,377	1,029,400	+ 8.4
Warren.....	10,701	+22.4	91,305	76,993	+18.6
Wheeling.....	27,017	+ 8.0	275,212	258,520	+ 6.5
Youngstown.....	51,970	+20.2	431,930	373,780	+16.4
Zanesville.....	8,272	+19.2	77,919	70,833	+ 9.9
Total.....	2,250,918	+14.3	20,843,774	19,542,403	+ 6.7

**Fourth District Business Statistics**

(000 omitted)

Fourth District Unless Otherwise Specified	September 1939	% change from 1938	Jan.-Sept. 1939	% change from 1938
Bank Debits—24 cities.....	\$2,310,000	+15.3	\$18,942,000	+ 6.4
Savings Deposits—end of month: 40 banks, O. and W. Pa.....	772,317	+ 0.07	1	1
Life Insurance Sales: Ohio and Pa.....	\$ 63,671	+10.1	678,086	+13.4
Retail Sales: Dept. Stores—53 firms.....	\$ 23,320	+ 8.5	177,026	+ 6.7
Wearing Apparel—13 firms.....	950	+ 0.9	7,243	+ 3.1
Furniture—39 firms.....	791	+ 9.1	6,981	+16.5
Building Contracts—Total.....	34,232	+ 9.5	290,375	+39.7
—Residential.....	12,465	+55.3	107,125	+57.6
Commercial Failures—Liabilities.....	771	-21.9	9,943	-37.1
—Number.....	382	-30.0	6132	-19.3
Production: Pig Iron—U. S..... tons	2,879	+71.4	20,417	+65.7
Steel Ingot—U. S..... tons	4,231	+59.8	29,748	+65.8
Auto—Passenger Car—U. S.....	161,6252	+148.0	1,955,898	+67.6
Auto—Trucks—U. S.....	27,1262	+47.6	503,977	+43.3
Bituminous Coal, O., W. Pa., E. Ky..... tons	14,624	+22.1	95,893	+10.1
Cement—O., W. Pa., W. Va. bbls.	1,264	+13.0	8,163	+18.6
Elec. Power, O., Pa., Ky.....	1,6662	+ 8.9	12,8734	+21.0
Petroleum—O., Pa., Ky..... bbls.	2,2792	- 1.5	17,2044	- 3.9
Shoes..... pairs	5	- 2.1	5	+ 8.8
Tires, U. S..... casings	4,985	+27.3	42,178	+55.5
Bituminous Coal Shipments: L. E. Ports..... tons	6,482	+30.6	27,465	+12.2

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

**Fourth District Business Indexes**

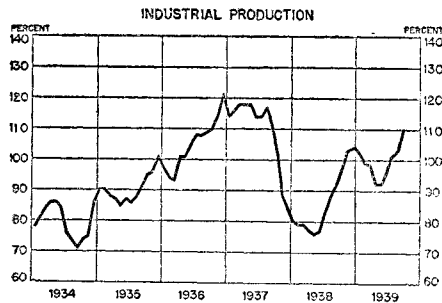
(1923-25=100)

	Sept. 1939	Sept. 1938	Sept. 1937	Sept. 1936	Sept. 1935
Bank debits (24 cities).....	85	74	93	82	71
Commercial Failures (Number).....	26	52	33	28	45
(Liabilities).....	18	22	16	35	37
Sales—Life Insurance (O. and Pa.).....	66	61	74	77	76
—Department Stores (48 firms).....	96	89	103	89	78
—Wholesale Drugs (7 firms).....	121	113	124	106	90
—Dry Goods (5 firms).....	79	55	71	66	54
—Groceries (61 firms).....	92	77	91	86	80
—Hardware (9 firms).....	81	78	99	90	70
—All (82 firms).....	91	77	93	86	75
—Chain Drugs (4 firms)**.....	93	91	98	89	79
Building Contracts (Total).....	72	66	56	39	27
(Residential).....	72	47	50	47	22
Production—Coal (O., W. Pa., E. Ky.).....	81	66	80	82	53
—Cement (O., W. Pa., E. Ky.).....	105	93	88	109	81
—Elec. Power (O., Pa., Ky.)*.....	198	182	194	180	159
—Petroleum (O., Pa., Ky.)*.....	123	125	135	123	112
—Shoes.....	115	118	115	135	116

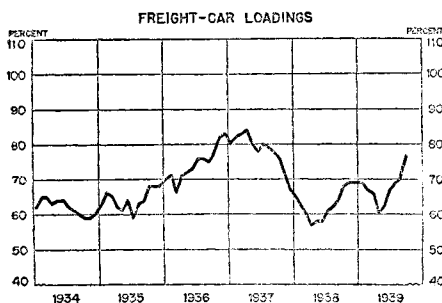
\* August.  
\*\* Per individual unit operated.

## Summary of National Business Conditions

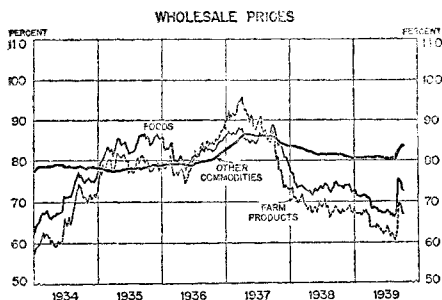
By the Board of Governors of the Federal Reserve System



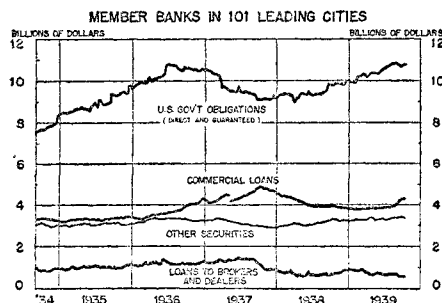
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to September 1939. Latest figure—110.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to September 1939. Latest figure—77.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending October 14, 1939. Latest figures—farm products 66.7; foods 72.7; all other commodities 83.7.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to October 18, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "other loans" as then reported.

Volume of industrial production, which had turned up sharply last summer, advanced still more rapidly in the six weeks after the outbreak of war. Employment also increased but at a less rapid rate. Consumption of goods by industry and by individuals has not expanded so rapidly as production and orders. Buying of basic commodities, after a burst of activity in early September, has slackened considerably, but orders for many semi-finished goods and for finished products, particularly machinery and railroad equipment, have continued in large volume. Most orders have come from domestic sources. Prices of basic commodities advanced sharply in the early part of September, but in recent weeks prices of foodstuffs have declined while prices of industrial materials in most instances have been maintained. Prices of finished goods have shown a much smaller advance.

### Production

In September the Board's seasonally adjusted index of industrial production advanced to 110 per cent of the 1923-1925 average as compared with 103 in August and 92 last spring. Increases in output of iron and steel, flour, sugar, meat products, and petroleum were particularly marked in September. In the steel industry ingot production rose from an average rate of 61 per cent of capacity in August to 71 in September. In the first three weeks of October the rate advanced further to 90 per cent and actual volume of output was at the highest level on record. Flour production rose to near record levels and at meat-packing establishments activity was at the highest rate reached in several years. The sharp increase in output of crude petroleum followed a considerable reduction in the previous month and currently production is at about the high rate prevailing before wells were closed in the latter half of August.

In other industries increases in activity, though quite general, were not so marked. Automobile production showed a sharp seasonal rise as volume production of new model cars was begun at most plants, and in related lines, such as plate glass, activity also increased. Textile production increased somewhat further from the high level reached earlier. Shoe production, however, which had been in large volume in the first eight months of the year, decreased in September. Mineral production advanced generally and iron ore shipment schedules were expanded to build up stocks at lower lake ports before the close of the shipping season.

Value of construction contracts, as reported by the F. W. Dodge Corporation, rose further in September, reflecting a contraseasonal increase in private residential building. Other private construction showed little change and there was some reduction in the volume of new public projects, both residential and nonresidential.

### Distribution

In September and the early part of October department store sales increased considerably. Freight-car loadings also advanced sharply, with the most marked increases reported in shipments of coal and of miscellaneous freight, which includes most manufactured products.

### Commodity Prices

Wholesale prices of foodstuffs declined after the middle of September, following sharp advances earlier in the month. Prices of industrial commodities, which rose considerably until the third week in September, subsequently were generally maintained, although prices of some materials, such as steel scrap, hides, and rubber, declined from earlier peak levels.

### Bank Credit

Following reductions during the early part of September, Government security holdings by member banks in 101 leading cities increased somewhat during the three weeks ending October 11, reflecting largely the purchase of Treasury bills. Commercial loans continued to increase, but at a less rapid rate than in late August and early September. The volume of demand deposits at city banks also increased further.

Excess reserves, which had increased sharply at member banks during the first half of September, showed further moderate increases during the four weeks ending October 11.

### Money Rates and Bond Yields

Prices of United States Government securities increased in the latter part of September and the first half of October, following sharp declines early in September. Average yields on long-term Treasury bonds declined from 2.79 per cent on September 21 to 2.62 per cent on October 16. Yields on Treasury notes declined to 0.78 per cent from 1.30 per cent early in September.