

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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Vol. 21

Cleveland, Ohio, November 30, 1939

No. 11

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Continued pressure for delivery of raw and semifinished materials ordered after Labor Day was largely responsible for the relatively high rate of activity in most important fourth district industries during October and the first three weeks of November. New orders have fallen off from their recent peak, but customers appear anxious to receive shipments of goods bought soon after the outbreak of war, and local factories have stepped up operations to meet this demand. In several cases backlogs have been well maintained in spite of the higher rate of operations and shipments. Consumption of finished goods made from these raw and semifinished materials which were ordered in such large volume has increased to a degree, but, based on data available, there is still considerable spread between the rate at which goods are being produced and actual consumption.

Pressure for deliveries is most noticeable in the steel and machine tool industries, but in practically every line there was a further quickening of operations in recent weeks. Preliminary reports show that industrial employment in Ohio rose five percent in October, and payrolls were up 13 percent over the September level. Areas such as Cleveland, Youngstown, Pittsburgh and Akron showed sizable gains in October and continued improvement in November. Compared with last year Ohio employment was up 14 percent.

The steel industry operated at 89 percent of capacity during October, and total output was the largest for any month in history. Operations have since risen to an even higher rate, reaching 93.5 percent of capacity late in November. Machine tool companies have also continued to expand. In October they operated at the highest rate of the year, and many plants added to their working forces in November. Foundries, machine shops, and makers of heavy electrical equipment all reported an upward trend in operations.

The coal and rubber industries reached peaks in October and have since receded. Several factors combined to bring coal production in the fourth district to the second highest monthly total since 1930. Expanding industrial demands for coal and coke, particularly from the iron and steel industry, were superimposed on heavy lake shipments and seasonal stocking of retailers and domestic consumers. Expectations that prices might rise also encouraged heavy buying. In November, shipments to lower lake ports were reduced as the close of navigation drew near, and retailers

ceased expanding inventories. Industrialists were also said to be less anxious to build up stocks, and activity at mines reflected this situation.

Consumption of crude rubber, like steel production, was at an all-time high level in October, but reports indicate that it was at a slightly lower rate in November. Large sales of tires and mechanical rubber goods were made in September and October as customers bought in expectation that prices might rise because of higher raw material and other manufacturing costs. Prices of mechanical rubber goods were raised, but late in October a leading tire maker announced reductions in list prices of all tires. Other factors in the industry also announced lower price schedules early in November, but in most cases these new prices were no lower than those actually prevailing during the summer. Incoming orders fell off sharply during the period of price uncertainty, but late in November they had recovered somewhat, although they were still more than seasonally below October. Production schedules were also lower than a month earlier.

Operations in the automobile parts industry reflected the extended shutdown of assembly lines of one major producer pending settlement of an industrial dispute, but suppliers of other plants have been active. Producers of consumers' goods generally report that orders for spring delivery are far ahead of last year, and in some cases they are the best since 1929. This is particularly true of merchandise such as staple shoes and men's clothing, which are not subject to radical style changes.

The total volume of construction contracts awarded in the fourth district during October was the lowest since last March because of a sharp decline in the volume of public building. Private work, however, was the largest in over two years as the volume of one- and two-family houses begun during the month exceeded any other period since 1929.

Retail trade responded to higher employment and payrolls during October, and for the fifth consecutive month the seasonally adjusted index of fourth district department store sales rose. This upward trend was apparently extended through the first half of November. More liberal buying policies by department store managers are indicated by inventory data. Stocks rose much more than seasonally during October, and the gain in the adjusted index of fourth district department store stocks was the largest in any one month since August 1933.

## FINANCIAL

**Member Bank Credit** Total deposits at weekly reporting member banks in the fourth district continued to increase in October and early November, thus extending the upward movement which has been almost uninterrupted since early in 1938. On the latest date they amounted to \$2,535,000,000, a gain of 13 percent over last year, and 23 percent higher than the 1938 low. Most of the rise has been due to an increase in the volume of demand deposits in the hands of individuals and corporations; United States Government deposits have remained unchanged since last December, and time deposits have fluctuated within a very narrow range with a slight downward tendency being evident during the last six months.

A large part of these funds continued to remain idle, and bank debits in this district, although rising somewhat faster than seasonally since late spring, are still below the peak reached in 1937. Turnover of deposits at reporting banks, therefore, is far below that of 1936 and 1937.

As shown in the accompanying chart, this rise in deposits is only partially accounted for by increased credit extended by this group of banks. Prior to the beginning of this year, changes in the volume of deposits and total loans and investments roughly paralleled each other, although deposits grew somewhat more rapidly than loans and investments in 1935 and 1936. This year, however, there seems to have been little connection between deposits and earning assets of these banks. Deposits have increased steadily, whereas the growth in loans and investments has been less rapid and it was at least temporarily interrupted in September and October.

In spite of the recent expansion in industrial activity, there has been little demand for bank credit, and repayments exceeded borrowings during October and early November. On the latest date, therefore, total loans of weekly reporting banks were slightly below their September level. Total investments were also lower than in September, although there was some increase in November caused by purchases of additional securities guaranteed by the Federal Government.

Limited demand for credit and continued flow of funds to banks in this district resulted in a further expansion of excess reserves of local member banks. In mid-November they were approximately 85 percent in excess of requirements.

**Federal Reserve Bank Credit** With member bank reserve balances at all-time high levels and demand for funds showing no tendency to expand, borrowing by member banks remained in small volume during October and early November. On the latest date only eight banks were borrowing a total of \$599,000. Industrial advances of working capital made directly to borrowers under Section 13b of the Federal Reserve Act continued to be reduced, but in the first half of November there was a slight increase in inquiries through cooperating banks, and two commitments for participation with these banks were approved.

During October the System's holdings of U. S. Treasury bonds and notes remained unchanged, and since this bank's share in the account was not altered during that month, its portfolio of bonds and notes also remained constant. In the first three weeks of November, however, the System

sold approximately \$45,000,000 worth of bonds and notes. Holdings of Treasury bills continued to be reduced, thus extending the downward trend started in June.

Fourth district Federal reserve note circulation was large in November. At \$450,000,000 on November 22, it was seven percent higher than a year ago at that time.

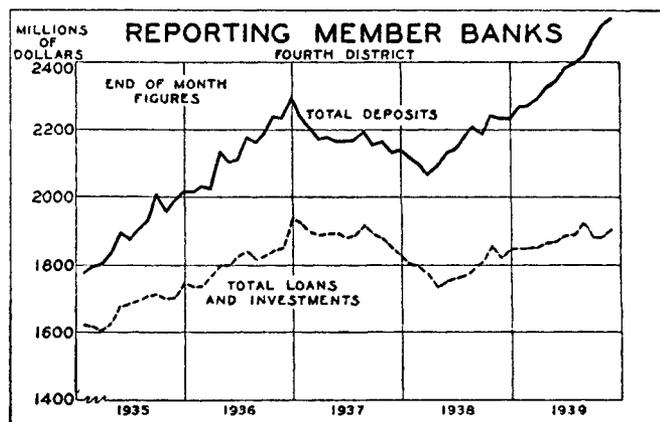
## MANUFACTURING, MINING

**Iron and Steel**

Steel mills throughout the country, and especially in centers of the fourth district, in an effort to supply customers with steel ordered since Labor Day, have increased operations to practicable limits. Following the sharp rise in September and October to above 90 percent of theoretical capacity, mills in November were able to expand output slowly. From 92 percent in the last week of October, operations have risen to 93.5 percent of capacity for the industry as a whole. The rate of production in October, though more than ten points below capacity, resulted in a new all-time record being established, even surpassing the previous record of 1929. This resulted from the fact that steel making capacity has increased over 8,000,000 tons annually in the past ten years. Because several furnaces considered as potential steel producers are in such a state of disrepair as to require considerable time to place such units in operation at this time, the weekly operating rate has been able to rise slowly in recent weeks.

Some centers were able to produce at closer to theoretical capacity than others, and in most cases recent fluctuations in weekly district rates have resulted from shutdowns and reopenings made necessary by repairs. Pittsburgh plants attained a peak of 94 percent of capacity in the second week of November. Youngstown mills attained that same rate in mid-October, but have not been able to reach that level since, and in the week ended November 25 were at 90 percent. Cleveland-Lorain plants, with the exception of one week when repairs were being made, have operated at 90 percent, the practical peak for this area, since early October. In the Wheeling area activity has been at 93 percent for eight weeks and in southwestern Ohio production has fluctuated between 87 and 90 percent of capacity in recent weeks.

Total production of steel ingots in October was 5,393,-821 tons. This set a new monthly record and output in the period was 28 percent greater than in September and 74 percent above October 1938. While most of this steel is reported as going into production of finished articles, there is evidence that some semi-finished goods are being placed in



reserve by producers. A survey recently made by the magazine *Steel* revealed that steel inventories as of October 31 were 12.2 percent larger than on August 31. More than half the replies indicated that sufficient steel was on hand to operate at present rates for one to three months and 24 percent had sufficient for three months or more. Concerning the rate of actual consumption of finished steel products, no data are available. In the industry it is felt that output has been increased considerably above the rate of consumption, but that the latter is expanding gradually. Demand for steel, however, has slowed down slightly. Orders on hand are reported sufficiently close to shipments to prevent any marked shrinkage in backlogs this month. Buying has slackened because most raw steel consumers are covered for the remainder of the year. Many placed orders for first quarter delivery, usually at the price at time of shipment, prior to announcement that most fourth quarter prices would be extended.

Railroad buying, which was a strong factor in recent months, has slackened materially, and little more tonnage is expected from this source. In all, more than 1,250,000 tons of rails were purchased in the latest buying movement, although little of this will be rolled until next year. Heavy construction steel requirements have held up well in the face of seasonal trends and tinplate operations have been at 96 percent in recent weeks despite the fact that demand has tapered off from the high level of September and October.

Scrap prices, as represented in *Steel's* composite index, have declined steadily from the high point of \$22.16 the first week of October to \$19.50 the third week of November. Lack of buying by large users was felt to be responsible for the downward movement. This, in turn, probably in some measure is due to enlarged supplies of pig iron from added blast furnaces brought in over the past few weeks. At the recent high price of scrap a larger proportion of pig iron in the steel furnace was economical.

Pig iron production in October totaled 3,626,684 gross tons, an all-time high for that month and the largest since August, 1929. There were 19 additional blast furnaces lighted in the month, a total of 50 have been added since September 1.

October shipments of Lake Superior iron ore totaled 9,201,249 gross tons, against 7,865,007 in September and 3,624,416 tons in October, 1938. Total movement to Nov. 1 was 39,593,570 tons, compared with 17,781,706 up to the same date in 1938. November movement will be considerably less than in October for many ore boats have made

their final trip and are being laid up for the winter. Despite this large movement of ore in recent months the amount on hand at lower lake ports and furnaces on November 1, at 39,000,000 tons, was only slightly larger than on that date last year.

### Coal

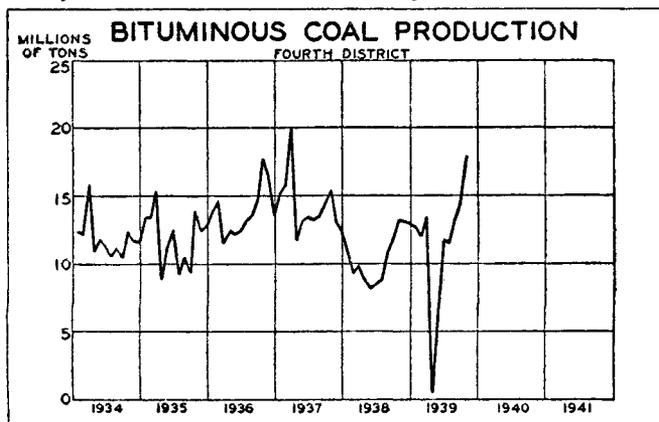
Rapidly expanding industrial activity, a seasonal pickup in demand for stocking of retailers and domestic consumers, continued heavy shipments to upper lake ports prior to the close of navigation, and a small increase in exports, combined to raise fourth district coal production in October to the highest level since March 1937. Except for that month when stocks were being built up in view of possible curtailment of production during negotiations for renewal of labor contracts, October output was the largest since January 1930.

The accompanying chart shows the course of bituminous coal production in this district since 1934. Mines were shut down almost completely during April and the first half of May this year pending settlement of terms for renewal of contracts between unions and operators. When work was resumed, demand did not warrant full production schedules, and output during June and July was somewhat lower than before the shutdown. In August, rising industrial activity and heavy lake shipments brought about increased production of coal, and the sharp gain in operating rates throughout industry during September and October was accompanied by a similar increase in output at coal mines. Another factor was a rise in the demand for coke, which was so sharp that many inefficient beehive ovens were lit. Production of beehive coke in October amounted to 253,000 tons, compared with 75,200 tons in September and 60,700 tons in October 1938.

During the summer and early fall, industrialists were buying coal to restore inventories depleted during the spring shutdown, as well as to provide for higher consumption. By the end of September, industrial stocks had been built up to a level slightly higher than a year previous, but buying continued in heavy volume through the first half of October. In mid-November, however, producers reported that industrial demand was not as strong as formerly, and that shipments of domestic grades had been hindered by unusually warm weather and the resulting low level of consumption. Under these conditions, prices had fallen as much as 30 percent on some grades, and production during the first half of November was at a slightly lower rate than in October.

### Automobiles

Retail demand for automobiles appeared to be very good in October, both in this district and the entire country. In leading counties of this territory new passenger car registrations were 92 percent ahead of last year and were 7 percent in excess of October 1937. For the entire country the *Department of Commerce* reported that dollar value of passenger car sales was 72 percent larger than in October 1938 and 15 percent ahead of two years ago. In this connection, however, considerable allowance should be made for the fact that October was the first month in which 1940 models were extensively shown. This was somewhat earlier than in other recent years. When allowance is made for this situation and for seasonal variations, the adjusted index of passenger registrations rose to the highest



level in two years, despite the fact that one of the major car producers has been able to make relatively few 1940 cars. Failure to work out a satisfactory agreement between the company and union representatives kept plants closed over seven weeks at a time when demand for cars for inventory purposes as well as delivery was unusually heavy.

In the first half of November, with the earlier introduction of new models no longer a factor, it was reported that retail sales were running from 5 to 10 percent above last year. In Cuyahoga County in the four weeks ended November 23, new car registrations were 14 percent ahead of the corresponding period of 1938. Exhaustion of some dealers' stocks, because of closed plants, and their inability to make deliveries undoubtedly has tended to retard their retail new car sales, but in all probability a part of this business has gone to other dealers and has been somewhat of a factor in the large weekly production figures recently. Sales of trucks in Cleveland and vicinity in the four weeks ended Nov. 23 were 75 percent larger than in the corresponding period of last year, and used car registrations were up 27 percent.

Until mid-November, weekly automobile assemblies, based on *Ward's* figures, were able to keep ahead of last year, despite the fact that factories representing about 25 percent of the industry's output were idle. In the two weeks ended November 25, however, production was twelve percent under a year ago and seasonally adjusted weekly production indexes have declined generally in recent weeks.

Automotive parts makers, except those affected by the closed assembly plants, have been operating at excellent rates all fall and report sufficient backlogs on hand to permit maintenance of close to current operations for several weeks to come. Where pressure for delivery of materials has resulted from a shifting of orders from one dealer to another, resumption of assembly operations at closed plants conceivably might lessen much of the urgency surrounding releases recently received by auto parts companies.

#### Rubber, Tires

Operating rates in the rubber industry expanded further in October as production reflected the heavy sales volume of September and early October. Crude rubber consumption in the United States rose to an all-time high of 55,764 tons, eleven percent larger than in September, and 30 percent greater than in October last year.

With the price of crude rubber apparently stabilized at approximately twenty cents per pound in October, compared with an average of 16.7 cents in August, dealers and consumers expected that prices of tires and other rubber products might rise. Effective October 1, prices of mechanical rubber goods were increased, but late in October a major tire producer announced reductions in list prices of all tires. Following this announcement, most other companies lowered list prices, but reductions were not uniform. As a result of these developments, tire sales in the replacement market, which had continued in heavy volume during October, fell off sharply in the first week of November pending clarification of the situation. In mid-November, however, orders were increasing, but they were more than seasonally below October. The new price schedules, although considerably lower than former lists, are said to be approximately the same as those actually in effect in most parts of the country during the summer,

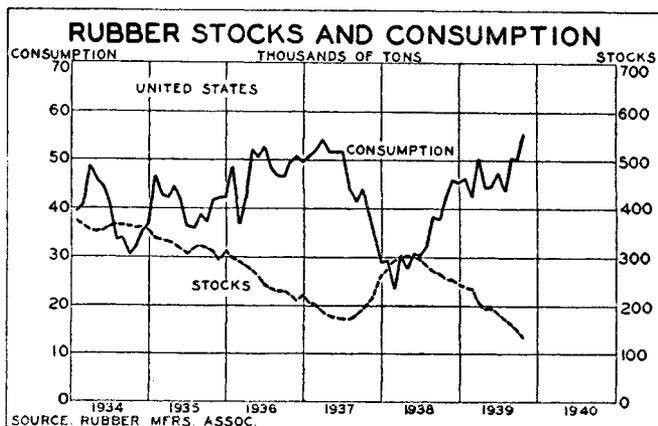
when special sales and other inducements were offered buyers.

In spite of the decline in replacement tire sales, operating schedules showed only slight reductions in mid-November. Shipments to automobile manufacturers not affected by industrial disputes were large, and suppliers of idle assembly lines were accumulating inventories. Tire stocks of all producers were sharply depleted by the unexpected volume of shipments in September and October, and production schedules for November and December were set with the object of rebuilding inventories. Some further decline from recent high operating rates is planned, however, as the number of hours each week is being reduced in some plants.

As shown in the accompanying chart, the high rate of activity in the rubber industry again resulted in a reduction of the supply of crude rubber available in the United States. Consumption exceeded imports, and domestic stocks fell to the lowest level since 1930. Because of continued reduction in the supply of crude rubber available in consuming countries, and the high current rate of consumption, the International Rubber Regulation Committee again raised permissible export allowances to 80 percent of basic quotas for the first quarter. This is the highest level since 1937, when, consumption being high and stocks low, export allowances were raised to 90 percent of basic quotas. After this action, however, consumption fell off sharply in the 1937-38 recession, and stocks accumulated. Allowable exports were then progressively reduced, until they were only 45 percent of basic quotas in the last half of 1938. Meanwhile, consumption recovered, and stocks were liquidated. Since then, consumption has remained large, and although export quotas have been raised, stocks have continued to fall. In October, however, there was a sharp increase in tonnage of rubber afloat to the United States as the fourth quarter allowance of 75 percent of basic quotas resulted in larger exports. Crude rubber prices have remained firm in the face of these increases in future available supplies.

#### Textiles and Clothing

The textile and clothing industry continued to gain in October and early November. Employment at eleven Cleveland textile firms rose more than seasonally during October to the highest point in three years. The number of workers was 25 percent in excess of those employed a year ago. In Pennsylvania, the number of wage earners rose six percent from mid-September to mid-October, whereas hours worked rose 14 percent. Similar percentage gains



in number of workers and hours worked were shown over a year ago.

In mid-November, clothing manufacturers and worsted mills were well along in production of spring lines, with initial orders sufficient to require maintenance of near-capacity operations through the spring season. In some cases, makers of men's clothing stated they were unable to accept additional business because of inability to secure materials at costs commensurate with prices set on spring merchandise. Selling prices have not been changed recently.

Textile manufacturers reported that their customers did not seem to be building up inventories, but clothing plants stated that retail outlets had expanded purchases beyond current needs. Many of these purchases, however, are merely in the form of commitments for spring delivery, so that data relating to retail stocks do not yet reflect the full effect of the heavy buying since September 1. At fourth district department stores, stocks of men's clothing on October 31 were slightly below those on hand a year earlier, but women's wear inventories were up five percent.

Retail clothing sales rose more than seasonally during October, and fourth district department store sales of men's coats and suits were 23 percent larger than in October last year. Business of made-to-measure firms was particularly good in coal mining regions. Women's wear sales were up 14 percent over the same period.

**Other Manufacturing** Other important fourth district manufacturing lines reported that new business had leveled off in October and early November after the September upsurge. In most cases, however, incoming orders were still sufficient to maintain present backlogs although operations had been considerably expanded. Factory inventories were still said to be low, though some increase in dealer and consumer stocks was reported.

In the machine tool industry, October and early November orders were somewhat below the record September volume, but still sufficient to result in further expansion of backlogs. Some companies say they are unable to make delivery until 1941, although the delay is usually considerably less than this amount. October buying was well diversified, with slightly less than half of the new business coming from foreign sources.

The *National Machine Tool Builders' Association* has recently prepared a new index of activity in this field. Based upon estimated total capacity of 60 percent of the industry, it shows that operating rates have expanded steadily since the beginning of the year, rising from 52.5 percent of capacity in January to 84.9 percent in October. This compares with 74.6 in September. Comparable data for earlier years have not been published.

New business in other heavy industrial lines continued to expand during October. The index of new orders compiled by the *Foundry Equipment Manufacturers Association* advanced to a new peak since 1937, and unfilled orders also rose to the highest level in over two years. Manufacturers of electrical machinery likewise reported increased sales in October; in some cases orders were double those of the corresponding month last year, but they had not yet reached the level of early 1937.

In mid-November makers of small tools and dealers in industrial supplies reported that sales were holding at approximately September levels. The nature of customers'

orders indicated that materials were going directly into consumption, and that inventories of these goods were not being built up to any marked degree.

Manufacturers of office furniture and equipment reported a continued large volume of new business in October and early November. Although operating rates in some plants had been increased to capacity, incoming orders were approximately equal to shipments, and backlogs were being maintained. Customers' inventories were said to have expanded very little. Prices of raw materials showed little change in the period.

Nearly all branches of the glass industry operated at higher rates in October than in any other month since 1937. Output of window glass rose to 1,121,000 boxes, compared with 641,000 boxes in the corresponding month last year, but it was still slightly below October 1937. Plate glass production totaled 18,369,000 square feet, 50 percent higher than a year ago, but still 16 percent below the 1937 peak. In mid-November, manufacturers of window glass reported that new orders continued to be received in substantial volume and that backlogs built up in September and October were not being reduced. Surveys showed that jobbers' inventories were at about the same levels as those prevailing last spring, although retail dealers were carrying approximately ten percent larger stocks than at that time. Makers of plate glass, on the other hand, stated that new business was not equal to production, but that commitments were sufficient to assure present operating rates through December.

Paper and boxboard manufacturers reported divergent trends in mid-November. Producers of corrugated folding boxes were said to be behind on deliveries although producing at capacity, and backlogs were sufficient to require current rates to be maintained until Christmas. Makers of set-up boxes, on the other hand, were said to have already supplied most of their customers' needs. Costs of materials have continued to advance; the contract price of kraft liner board was raised \$10 in late November to \$55 per ton. This compares with \$40 per ton in the fourth quarter of 1938. Manufacturers of fine paper stated in mid-November that the volume of incoming orders had fallen below the rate of production, but that sales were still far ahead of last year. Some plants were working overtime in an attempt to fill orders already on hand.

Consumers' goods lines were generally active in mid-November. Dinnerware plants of the ceramics industry were producing at capacity, and orders on hand indicated maintenance of the current level until the year end. New business was considerably ahead of that being received at the same time last year. Sewing machine manufacturers were working overtime. Shipments of watches for the holiday trade were considerably higher than last year. Household washer shipments in October were the largest, excepting one month, since September 1937. They exceeded October of last year by 24 percent.

Shoe production was at its seasonal low point in mid-November, and fall shipments had been completed. Hoped-for volume of fill-in orders was missing, since retail sales were said to have been retarded by unusually mild weather. Salesmen were making their first trips with spring merchandise, and early orders for staple shoes were in considerably larger volume than at the same time last year. Prices on some lines have been increased approximately

five percent, but in many cases there have been no changes. This is in spite of the fact that leather prices and other manufacturing costs have advanced. In view of this situation, retailers are said to be making large purchases of conservatively-styled merchandise, but they are still holding back on commitments for the less stable types of shoes.

### TRADE

**Retail** Although national indexes of retail trade showed little change in October after seasonal adjustments were made, dollar volume of consumer purchases in the fourth district was generally larger than in September after allowing for seasonal conditions. National indexes of department store sales and rural retail sales of general merchandise fell one point, whereas variety store sales advanced slightly. In the fourth district, department store sales advanced against the seasonal trend, and for the fifth consecutive month the index rose. At 94 percent of the 1923-25 average, sales were at the highest level in two years, and 13 percent above October last year. Weekly reports indicated that the upward trend was extended through the first half of November. Grocery sales, on the other hand, reflected the run on staples which occurred in September, and in October they were nine percent less than in the preceding month, but they were still slightly higher than a year ago. Chain drug store sales rose, but the gain was largely seasonal, and dollar volume was two percent lower than in the corresponding month of 1938.

Inventory data now available reflect to some extent the heavy purchases made by department stores in September and October. In spite of the relatively large volume of sales in October, stocks of merchandise on hand at department stores in this district rose much more sharply than usual at this time of the year, and our adjusted index of department store stocks rose over three points to the highest level since early 1938. This is the sharpest gain in any one month since August 1933. At the end of October, they were higher than in late 1936, when sales were roughly comparable to the current rate.

**Wholesale** Wholesale grocery sales reacted from the upsurge in demand for staples experienced immediately after the outbreak of war, and the *Department of Commerce* reports that 236 fourth district wholesale firms of all types sold slightly less merchandise in October than in September. Grocery sales were down 21 percent, but sales of all other types of merchandise rose eight percent. The total, therefore, showed a loss of only three per cent. Compared with a year ago, however, total sales were up 18 percent, whereas the gain for the first ten months of the year was only eight percent.

As shown in the table on page seven, the groups which made the best showing in comparison with a year ago were coal dealers, dry goods firms, and electrical supply houses. Hardware, lumber, and machinery sales also were up.

Wholesalers' inventories rose somewhat in October, and at the end of the month they were 3.5 percent higher than a year previous. Although collections were slightly better in October than in September, the high volume of sales in these two months resulted in an increase in outstanding accounts.

### CONSTRUCTION

The volume of public building projects started in the fourth district during October was the smallest in more than a year, and total construction contracts awarded fell to the lowest point since last March. Private work, however, rose slightly over the September level to the highest point in over two years. It was approximately double that of October 1938, whereas total contracts, amounting to \$29,485,000, were ten percent smaller than those of a year ago.

Contracts for residential construction amounted to \$13,027,000, a gain of 65 percent over the corresponding month of last year. Strength was particularly marked in the field of one- and two-family houses, which rose to a new peak for the recovery movement.

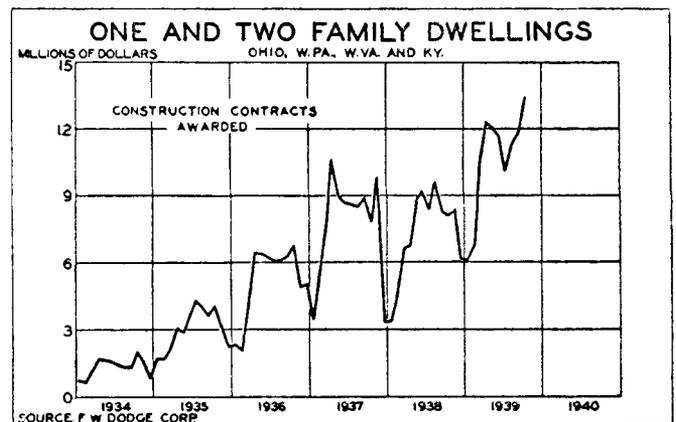
As shown in the accompanying chart, activity among small home builders has been sustained at a high level ever since early spring, although there was a considerable slackening in the summer months. This falling-off was mainly caused by a reduction in the rate at which speculative builders were undertaking new projects, although there was also some decline in the number of houses built for owners' occupancy. The rise since August has been due to expanded operations by both types of builders, but the gain has been most marked in dwellings built for sale or rent.

Factory and commercial building has remained small, despite the fact that several proposed expansion plans have been announced. Construction of this type actually started in Ohio, western Pennsylvania, West Virginia, and Kentucky during October was slightly smaller than in September, although it was more than twice as large as in October last year.

### AGRICULTURE

Late field crops in the fourth district turned out slightly better than was expected in September, according to the Crop Reporting Service of the *Department of Agriculture*, and the November 1 estimates of corn and potato production were raised. The harvest of apples, pears, and grapes was also larger than indicated earlier in the year. Dry weather during October was detrimental to pastures, and milk production was lower than a year ago.

**Corn and Feeding** Production of corn in the fourth district was estimated on November 1 to be the largest since 1925. The crop matured unusually early, and exceptionally good progress was made with husking. The Surplus Commodities Corporation announced late in Novem-



ber that the loan rate on the new crop would remain unchanged at 57 cents per bushel.

The large corn harvest, combined with a large carryover of feed grains, resulted in a continuation of the upward trend in feeding operations, and movement of stocker and feeder cattle into the Corn Belt States was relatively large during October. As a result, total shipments for the four months July through October are estimated to be the largest in the last fifteen years. Shipments of feeder lambs into the Corn Belt, on the other hand, dropped off sharply in October. Nevertheless, the *Department of Agriculture* states that heavy movement earlier in the season will result in a somewhat larger number of lambs being fed than in 1938-39. Increases in eastern Corn Belt States, of which Ohio is an important factor, are expected to offset decreases in the West. Feeding of hogs is also expected to be large, although prices have declined sharply from September peaks. In mid-November, hog prices reached the lowest point in five years.

**Tobacco** The November 1 estimate of fourth district tobacco production was lowered somewhat as continued drought reduced the crop's weight. Its quality, however, was said to be little changed. Farmers have had difficulty in preparing the leaf for market because weather was generally too dry to permit stripping. Nevertheless, enough

tobacco has been made ready to permit opening markets at the usual time early in December.

**Wheat** The 1940 winter wheat crop is extremely irregular. In northern Ohio its condition is fair to good, although growth has been slow. In southern Ohio and Kentucky late-sown fields are also good, but early-sown wheat is poor.

**Debits to Individual Accounts**

(Thousands of Dollars)

	5 Weeks ended Nov. 22, 1939	% change from 1938	Year to Date Dec. 29, 1938 to Nov. 22, 1939	Year to Date Dec. 30, 1937 to Nov. 23, 1938	% change from 1938
Akron.....	83,120	+20.8	709,857	616,117	+15.2
Butler.....	12,129	+29.1	98,938	89,774	+ 9.2
Canton.....	46,036	+24.0	375,282	321,553	+16.7
Cincinnati.....	410,745	+13.1	3,427,995	3,244,032	+ 5.7
Cleveland.....	749,513	+17.7	6,018,013	5,401,794	+11.4
Columbus.....	204,888	+ 7.4	1,834,618	1,744,940	+ 5.1
Dayton.....	78,418	+10.2	681,584	651,534	+ 4.6
Eric.....	33,565	+12.4	286,903	268,466	+ 6.9
Franklin.....	3,510	+ 7.4	30,292	30,611	- 1.0
Greensburg.....	8,888	+21.1	72,231	50,736	+ 4.0
Hamilton.....	13,522	+ 8.3	115,244	111,612	+ 3.9
Homestead.....	3,978	+21.1	34,121	30,852	+10.6
Lexington.....	24,044	+ 1.6	243,873	243,999	- 0.05
Lima.....	17,089	+14.3	144,920	148,188	- 2.2
Lorain.....	6,248	+22.0	53,898	49,346	+ 9.2
Middletown.....	14,376	+27.8	113,398	93,980	+20.7
Oil City.....	12,262	+11.0	104,389	101,501	+ 2.8
Pittsburgh.....	830,835	+23.4	6,727,943	6,379,300	+ 5.5
Sharon.....	10,559	+16.0	87,012	79,636	+ 9.3
Springfield.....	19,564	+ 5.5	181,485	173,546	+ 4.6
Steubenville.....	13,142	+28.1	102,676	91,337	+12.4
Toledo.....	153,859	+ 6.5	1,270,236	1,173,857	+ 8.2
Warren.....	13,051	+29.8	104,356	87,047	+19.9
Wheeling.....	35,615	+12.8	310,827	290,092	+ 7.1
Youngstown.....	64,336	+33.0	499,266	422,159	+18.3
Zanesville.....	9,874	+ 8.3	87,793	80,011	+ 9.7
Total.....	2,873,166	+17.0	23,716,940	21,997,220	+ 7.8

**Fourth District Business Indexes**

(1923-25 = 100)

	Oct. 1939	Oct. 1938	Oct. 1937	Oct. 1936	Oct. 1935
Bank debits (24 cities).....	90	80	97	94	77
Commercial Failures (Number).....	36	57	45	31	56
(Liabilities).....	31	22	35	15	44
Sales—Life Insurance (O. and Pa.).....	83	69	89	90	92
—Department Stores (48 firms).....	98	87	104	98	79
—Wholesale Drugs (7 firms).....	124	114	119	113	94
—Dry Goods (5 firms).....	77	52	62	69	61
—Groceries (60 firms).....	72	71	80	84	82
—Hardware (10 firms).....	96	80	102	106	80
—All (82 firms)*.....	80	74	86	89	79
—Chain Drugs (4 firms)**.....	96	98	94	98	86
Building Contracts (Total).....	62	69	36	47	58
(Residential).....	76	46	44	44	59
Production—Coal (O., W. Pa., E. Ky.).....	113	100	92	109	74
—Cement (O., W. Pa., E. Ky.).....	200	181	190	180	154
—Elec. Power (O., Pa., Ky.)*.....	113	119	133	125	110
—Shoes.....	99	73	85	98	77

\*September.  
\*\*Per individual unit operated.

**Fourth District Business Statistics**

(000 omitted)

	October 1939	% change from 1938	Jan.-Oct. 1939	% change from 1938
Fourth District Unless Otherwise Specified.....	\$2,447,000	+12.8	\$21,389,000	+ 7.0
Savings Deposits—end of month:.....				
40 banks, O. and W. Pa.....	773,698	+ 0.1	1	1
Life Insurance Sales:.....				
Ohio and Pa.....	80,239	+21.7	758,325	+14.2
Retail Sales:.....				
Dept. Stores—53 firms.....	24,596	+12.8	201,621	+ 7.5
Wearing Apparel—13 firms.....	1,072	+ 7.7	8,315	+ 3.6
Furniture—39 firms.....	926	+18.5	7,907	+16.7
Building Contracts—Total.....	29,485	-10.9	319,860	+32.7
—Residential.....	13,027	+65.1	120,154	+58.4
Commercial Failures—Liabilities.....	1,348	+42.2	11,291	-32.7
Number.....	52 <sup>2</sup>	-37.3	665 <sup>2</sup>	-21.1
Production:.....				
Pig Iron—U. S..... tons	3,627	+75.5	24,038	+67.0
Steel Ingot—U. S..... tons	5,394	+73.7	35,142	+66.9
Auto—Passenger Car—U. S.....	251,819 <sup>2</sup>	+34.3	2,207,717 <sup>2</sup>	+63.0
Auto—Trucks—U. S.....	61,558 <sup>2</sup>	+179.6	565,535 <sup>2</sup>	+51.3
Bituminous Coal, O., W. Pa., E. Ky..... tons	17,874	+35.4	113,740	+13.4
Cement—O., W. Pa., W. Va. bbls.	1,357	+13.4	9,520	+17.8
Elec. Power, O., Pa., Ky..... thous. k.w.h.	1,683 <sup>3</sup>	+11.0	14,556 <sup>4</sup>	+19.7
Petroleum—O., Pa., Ky..... bbls.	2,079 <sup>3</sup>	- 5.5	19,283 <sup>4</sup>	- 4.1
Tires, U. S..... casings	5,431	+29.8	47,732	+52.4
Bituminous Coal Shipments:..... tons				
L. E. Ports.....	6,296	+20.0	33,761	+13.6

<sup>1</sup> not available  
<sup>2</sup> actual number  
<sup>3</sup> September

<sup>4</sup> Jan.-September

**Wholesale and Retail Sales**

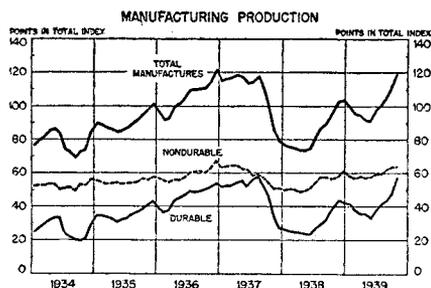
(1939 compared with 1938)

	Percentage Increase or Decrease		
	SALES October 1939	SALES first 10 months	STOCKS October 1939
DEPARTMENT STORES (53)			
Akron.....	+20.9	+17.3	+13.3
Cincinnati.....	+ 9.2	+ 5.4	+ 5.4
Cleveland.....	+13.5	+ 7.1	+ 7.9
Columbus.....	+10.3	+ 7.0	+20.0
Eric.....	+ 7.5	+ 6.0	+13.3
Pittsburgh.....	+12.1	+ 4.8	- 0.2
Toledo.....	+10.5	+ 9.2	+ 9.6
Wheeling.....	+13.5	+ 2.6	+ 5.3
Other Cities.....	+18.4	+14.4	+ 4.5
District.....	+12.8	+ 7.5	+ 6.0
WEARING APPAREL (13)			
Cincinnati.....	+ 0.5	- 6.0	- 0.6
Cleveland.....	+10.3	+ 6.9	- 2.8
Pittsburgh.....	+ 7.4	+ 1.6	+15.6
District.....	+ 7.7	+ 3.6	+ 3.9
FURNITURE (39)			
Cincinnati.....	+21.5	+ 6.6	
Cleveland.....	+15.0	+18.3	
Columbus.....	+43.3	+16.9	
Dayton.....	+12.9	+10.2	
Toledo.....	-12.5	+ 3.0	
Other Cities.....	+34.9	+31.3	
District.....	+18.5	+16.7	
CHAIN STORES*			
Drugs—District (5).....	- 2.0	1	
Groceries—District (4).....	+ 2.5	+ 5.8	
WHOLESALE TRADE**			
Automotive Supplies (8).....	+24.2	+ 9.0	1
Beer (8).....	+14.8	1	+13.3
Clothing and Furnishings (5).....	+ 6.3	1	1
Coal (4).....	+67.0	1	1
Confectionery (5).....	+ 3.3	1	+12.9
Drugs and Drug Sundries (7).....	+ 8.9	+ 6.6	+ 5.1
Dry Goods (5).....	+46.0	+19.9	+ 7.7
Electrical Goods (18).....	+46.9	+15.7	- 2.0
Fresh Fruits & Vegetables (8).....	- 0.6	1	-16.2
Grocery Group (60).....	+ 1.1	+ 1.9	+ 6.4
Total Hardware Group (35).....	+24.9	+12.8	+10.5
General Hardware (10).....	+19.6	+ 6.1	+12.6
Industrial Supplies (12).....	+50.7	+30.6	- 2.2
Plumbing & Heating Supplies (13).....	+21.6	+15.4	+ 5.4
Jewelry (7).....	+38.7	+14.5	+ 6.8
Lumber and Building Materials (5).....	+22.5	+19.1	1
Machinery, Equip. & Sup. (4).....	+24.3	+ 2.4	1
Meats and Meat Products (4).....	+14.4	1	+40.5
Paints and Varnishes (7).....	+ 5.8	1	- 7.4
Paper and its Products (6).....	+22.1	+11.2	- 6.7
Tobacco and its Products (20).....	+11.4	+ 0.5	+ 2.4
Miscellaneous (20).....	+55.6	+20.7	- 3.6
District—All Lines (236).....	+18.0	+ 8.0	+ 3.5

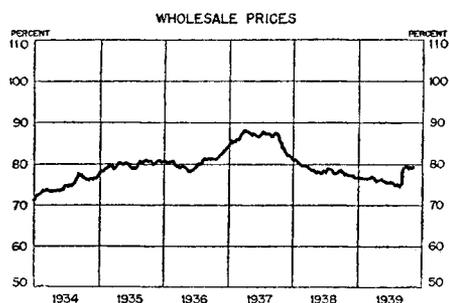
\*Per individual unit operated.  
\*\*Wholesale data compiled by U. S. Department of Commerce.  
<sup>1</sup>Not available.

## Summary of National Business Conditions

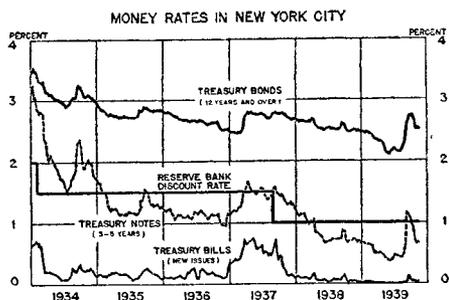
By the Board of Governors of the Federal Reserve System



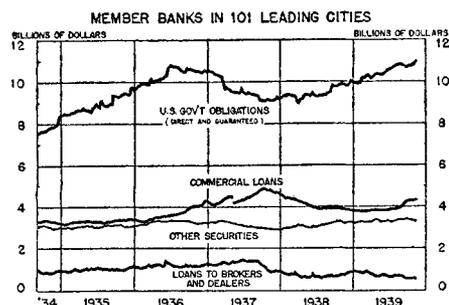
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. Durable and nondurable series expressed in terms of points in the total index. By months, January 1934 to October 1939. Latest figures—durable 56.6; nondurable 63.0.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending November 11, 1939. Latest figure—79.3.



For weeks ending January 6, 1934 to November 15, 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to November 15, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "other loans" as then reported.

Rapid expansion of industrial output continued in October, and employment and pay rolls increased considerably. Distribution of commodities to consumers, which had increased in September, was maintained at the higher level in October. In the first half of November industrial activity increased further but, with production in many industries approaching capacity, the advance was less rapid than in earlier months. Commodity prices generally showed little change during October and the first half of November, following the sharp rise in September.

### Production

Volume of industrial production showed a further sharp rise in October and the Board's seasonally adjusted index advanced from 111 to 120 per cent of the 1923-1925 average. Marked increases in activity were reported in the steel and steel-consuming industries and at mines. In the steel industry ingot production in October was at a rate of 90 per cent of capacity and actual volume of output was the greatest for any month on record. Some further increase in the rate of output was reported in the first half of November. Pig iron production also advanced sharply and lake shipments of iron ore, which had increased considerably in September, continued in exceptionally large volume. Activity in the machinery and shipbuilding industries and in most other steel-consuming lines rose in October but by a considerably smaller amount than output of steel. In the automobile industry, however, output showed less than the marked rise usual at this season. This was due to the fact that plants of one large producer were closed during most of the month by an industrial dispute. Mineral production in October was at record levels owing chiefly to a high rate of crude petroleum output.

In the nondurable goods industries activity was generally maintained at the high levels reached in August and September. Flour production declined sharply, however, following an exceptionally large volume of output in September.

Value of construction contracts, as reported by the F. W. Dodge Corporation, decreased considerably in October, reflecting principally a reduction in awards for public construction. Private residential contracts continued in substantial volume while awards for commercial and industrial building declined somewhat following increases in the previous month.

### Employment

Reports from leading industrial States indicate that factory employment and payrolls increased sharply between the middle of September and the middle of October. Increases were particularly large at steel mills and in related industries. There was also a considerable increase in employment on the railroads in October.

### Distribution

Retail distribution of general merchandise in October showed about the usual seasonal rise from the advanced September level. In the early part of November department store sales increased considerably.

Freight-car loadings rose further from September to October, reflecting a large increase in shipments of miscellaneous freight, which includes most manufactured products, and smaller increases in loadings of coal, forest products, and ore.

### Commodity Prices

Price changes that have occurred since the general sharp rise in September have reflected largely particular developments in individual commodities. From the middle of October to the middle of November prices of a number of foodstuffs continued to decline and there were also decreases in some industrial materials, such as print cloths, wool, tin, and steel scrap. Wheat, cotton, and burlap advanced somewhat while prices of most other commodities, including finished industrial products, showed little change.

### Government Security Prices

Following a sharp recovery from the low of September 21, prices of United States Government bonds showed irregular changes during the period from October 24 through the first half of November. On November 15 yields on long-term Treasury bonds were at 2.47 per cent as compared with 2.79 per cent on September 21.

### Bank Credit

Total loans and investments at reporting member banks in 101 leading cities increased substantially during the six weeks ending November 8, reflecting largely purchases of Treasury bills by New York City banks. Commercial loans continued to show moderate increases. Deposits at these banks rose to new high levels.