

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

Vol. 21

Cleveland, Ohio, December 30, 1939

No. 12

The year 1939 closed with industrial activity and trade in the fourth district at much better levels generally than had been anticipated earlier in the year and in several instances new all-time high records were established in the fourth quarter. The peak rate of actual output probably was reached in November, for contractions, entirely seasonal in nature, but less than normally occur at this time of year, were evident in some lines. Production rates were being well maintained at the year end, but incoming orders have fallen off and in some cases were below the actual rate of output. Pressure for deliveries was lessened somewhat when most steel prices were extended through the first quarter.

Although gains were recorded in the first half of the year over the low levels of the first half of 1938, the upswing in local industrial operations really started in July as steel and auto parts and accessory plants began producing for the new automobile models which were introduced somewhat earlier than in other recent years. Machine tool and rubber factories had been quite active during the first half of the year in relation to 1938.

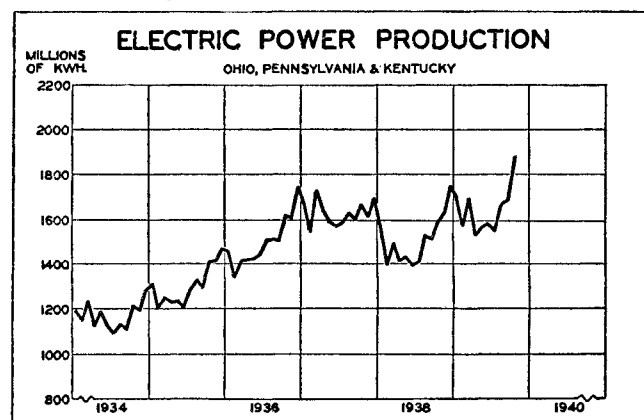
The advance which started after Labor Day was one of the sharpest ever experienced in so short a time, and was particularly pronounced in the industrial field of the fourth district since the pace for the rise was set by the machine tool and steel industries, with other lines sharing in the upswing. Buying of raw materials and equipment to fabricate them assumed such proportions immediately following the outbreak of war in Europe that suppliers were unable to cope with the demand and large backlogs were built up. All available steel-making facilities were pressed into service, and the industry reached 94 percent of theoretical capacity early in December. Although this rate has been exceeded in the past, actual output during October and November, because of increased capacity, was the largest in history. Machine tool buying was also in unprecedented volume in September and October, and in November the industry expanded operations to 91 percent of theoretical capacity in an attempt to speed deliveries. This compares with a rate of 53 percent in January. Consumption of crude rubber during October and November was also at the highest rate in history.

Coal production in this district during 1939 was subject to extreme fluctuations. Mines were shut down almost completely in April and the first half of May pending settlement of an industrial dispute, but in October output was the second largest monthly total since 1930. Operations

have since been curtailed, but production during the first eleven months of the year exceeded that of 1938 by 15 percent, and shipments to upper lake ports were 16 percent larger than in the preceding year. Electric power output, as shown in the accompanying chart, also reached a peak in October, the latest month for which data are available. Output was 17 percent larger than in the corresponding month in 1938, and the gain for the first ten months of the year was eleven percent.

Industrial employment in Ohio during November was 24 percent above the lowest point reached in 1938, but it was still ten percent less than the 1937 maximum. Retail trade to some extent reflected the improvement in employment, and the seasonally adjusted index of fourth district department store sales rose for six consecutive months from 83 percent of the 1923-25 average in May to 99.5 percent in November. Sales during November were the largest for that month since 1929. Early December sales were not up to trade expectations, the gain over last year in the first two weeks being approximately nine percent, but it was reported that improvement occurred in the pre-holiday week. Up to December 1, department store sales averaged 8.3 percent larger than in the comparable period of 1938.

The construction industry was also considerably improved in 1939, and contracts awarded in this district were the largest since 1930. The gain over 1938 was 25 percent, and was largely due to increased private residential building. In November private home construction was 55 percent ahead of the preceding year, but because of a drop in publicly-financed work, total contracts awarded were behind by 29 percent.



## FINANCIAL

**Member Bank Credit** Commercial and industrial loans of weekly reporting member banks in this district amounted to \$257,000,000 on December 20, twelve percent larger than a year previous. Most of the increase occurred during the summer when industrial activity was expanding slowly, and before the war had stimulated domestic business. From mid-September to the end of the year repayments were approximately equal to new borrowings. Loans other than of the commercial and industrial type increased by three percent during the year, but most of this growth occurred in the first quarter of 1939.

Although total loans and investments at these banks rose only \$74,000,000, adjusted demand deposits advanced \$212,000,000, reaching a new high on December 13 of \$1,335,000,000. The rate at which these deposits were used was lower than in 1938 until the last quarter of the year, but total debits to individual demand accounts were eight percent greater than in 1938.

The accompanying chart shows an index of debits to demand deposits, savings accounts, and deposits of governmental units at banks in twenty-four cities of the district from 1923 to date. The index is based on the monthly average for 1923-25 as 100 and adjustments have been made for seasonal variations. It is apparent that the volume of debits follows wide swings in business activity quite closely, but that in recent years it has not approached 1929 levels, even though industrial production is about as large as it was ten years ago. No adjustment has been made for price changes, which may have a considerable effect on the amount of money required to transact a given physical volume of business. Except for a setback early in the year, bank debits rose steadily during 1939, reaching a two-year high in November.

**Federal Reserve Bank Credit** Member bank reserve deposits at the Federal Reserve Bank of Cleveland rose from \$460,405,000 at the end of 1938 to an all-time high of \$668,843,000 on November 1. Thereafter they declined somewhat as seasonal demand for currency increased, but at the year end they were still approximately 80 percent in excess of requirements. With this large volume of excess reserves, there was little discounting by member banks, and changes in total credit extended by this bank were mainly the result of participation in

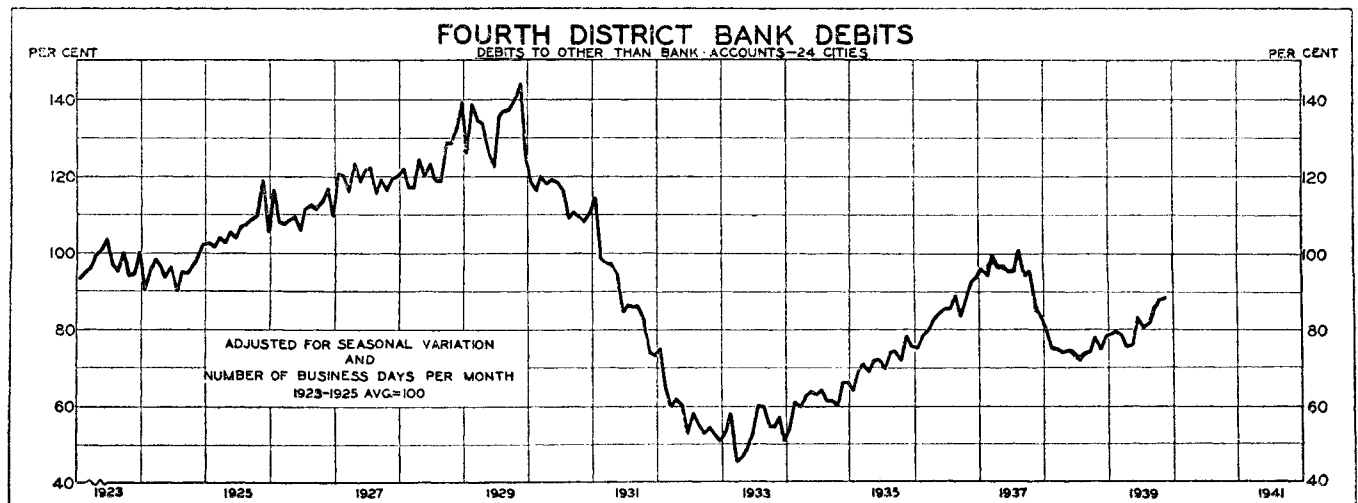
the System's open market operations. Starting in June, maturing Treasury bills were not replaced, and by December they were entirely liquidated. During September the twelve Federal reserve banks purchased nearly \$500,000,000 worth of longer term Government obligations in an attempt to maintain orderly conditions in the bond market, but some of these securities have since been sold, and total Government securities owned by this bank on the latest date were approximately the same as a year ago.

## MANUFACTURING, MINING

**Iron and Steel**

In the iron and steel industry the year 1939 probably will be remembered as the one in which operations started at a very moderate rate of slightly above 50 percent of capacity, and remained within five points of that level until July. Operations in the first six months were about mid-way between those in 1938 and 1937, but starting in September, they rose rapidly to a level which surpassed anything since 1929. Because of increased capacity of the steel industry, the operating rate touched in October, even though several points below 100 percent, resulted in a new high total tonnage being produced in that month and the closing quarter of the year. With December output estimated, total steel production in 1939 closely approximated 47,000,000 tons, compared with 27,742,000 tons in 1938. Even though the year closed with monthly production at record high levels, the annual total was somewhat less than in 1929 when 54,850,000 tons of steel were turned out.

While it is difficult to obtain data on the matter of steel consumption and inventories, it is reported in trade circles that, although consumption has increased, a good share of the large volume of steel ordered in the fall was for inventory purposes. Many companies which had operated with extremely small inventories felt it advisable to increase such inventories because of uncertain conditions and also found it necessary to order additional supplies as operations expanded and more goods were in process of manufacture. Ordering of steel for these reasons in October and November, and also because at that time it was felt likely that first quarter steel prices would be higher, was in much larger volume than the industry could produce, even at capacity. Large steel backlogs were built up and pressure for delivery was great. When first quarter prices were announced with few changes, however, and the war demand for steel and steel products failed to develop in anywhere near the volume



some had anticipated, orders fell off and pressure for deliveries lessened. Shipments on orders were deferred and operating rates of the industry receded from a peak of 94 percent to 90 percent of capacity in the pre-holiday week.

Reaffirmation of finished steel prices for first quarter delivery served to temper demand for shipments only to a slight degree. Further gains in consumption, headed by the upturn in automobile production, have necessitated sustained shipments for current needs, but the price action and increased output obviated the previous rush of buyers to cover future needs. Despite the letdown in forward buying, it is reported mills enter 1940 with sufficient backlogs to permit maintenance of steelmaking near the current level through January. Unfilled orders in some products should sustain shipments into February. Railroads and railroad equipment builders are taking heavy tonnages of various steel products in completing old contracts, but new business in freight cars, locomotives and track material has been quiet for several weeks. Inquiries for fabricated structural shapes also are lighter, and mills now are able to make early delivery on most sizes of plain structural material. Concrete reinforcing bars also are less active in new orders, although shipments against contracts remain heavy.

November pig iron production of 3,720,180 gross tons was a new record for that month and the largest for any month since August 1929, with 3,746,198 tons. It compared with 2,286,021 tons in November a year ago. A net gain of three in number of active blast furnaces brought the total in operation at the end of the month to 191. A year ago there were 121 in production. Output represented 90.5 percent of capacity, compared with a low point of under 50 percent in May. The present rate is higher than in 1929.

As a result of favorable weather at loading points, lake shipments of iron ore held up much better than usual in November and a new record for that month was reached. Loadings were more than three times as large as a year ago and for the entire season slightly more than 45,000,000 tons were shipped from upper lake ports. This compared with less than 20,000,000 tons in 1938.

This year's total has only been exceeded in two years since 1929. While the ore-shipping season started out at a moderate rate because of the fair supply of ore on hand and the limited takings at that time, as the season progressed, and ore demand increased, ships were put into service very rapidly. In October, the last month in which weather was not a retarding factor, 96 percent of the available lake tonnage was engaged in the ore trade. At the close of the season iron ore on hand at lower lake ports and furnaces totaled 40,732,000 tons, compared with 37,456,000 tons a year ago. At the rate of November consumption this was sufficient to last more than seven months, assuming shortages of special analysis ore do not develop. Ore does not arrive by lake in any quantities until May.

### Coal

Coal production at fourth district mines fluctuated widely in 1939. In the first three months of the year output was at about the highest level attained in 1938, considerably above the low point of that year, and about equal to the average for 1936. In April and the first half of May mines were shut down almost completely pending renewal of contracts between unions and mine operators. Stocks were sharply reduced during this period, but buying remained in low volume during June and July, and the mines produced at

slightly lower rates than during the first quarter of the year. Production increased in August when industrial demand picked up and shipments to upper lake ports also expanded. In September and early October purchases were in heavy volume as consumers expected that the war might result in higher prices, with the result that production in October rose to the second highest point since 1930. After October, however, industrial buyers reduced their purchases to a level more nearly in line with current needs, shipments to upper lake ports were curtailed because of seasonal factors, and dealers and domestic consumers ceased building up stocks. As a result, production in November and December receded from the October peak. In spite of the six weeks shutdown in the spring, output during the first eleven months of the year exceeded that of the same period in 1938 by 15 percent, but it was 17 percent below 1937.

In mid-December mines reported that industrial demand continued good, but that mild weather had resulted in less than usual buying of coal for heating purposes. Stocks of retail dealers and domestic consumers were still close to their recent peak levels, and there was little demand from these sources. Much prepared coal of the domestic sizes was on hand at the mines, and some coal was being crushed for industrial consumers. Prices of prepared grades, therefore, were weaker than in September and October.

Shipments to upper lake ports in the season just closed amounted to approximately 41,000,000 tons. This was 16 percent higher than in 1938, but eleven percent below 1937. The season opened slowly, picked up in the summer and closed with a rush after the outbreak of war. Heavy ore shipments down the lakes were accompanied by an equally heavy movement of coal up the lakes as return cargoes. Mild weather permitted this movement to continue in larger volume than usual through November, and after the close of the ore season on December 1 some ships continued to carry coal to upper lake ports, returning with grain for storage or export.

### Automobiles

The sharp increase in automobile assemblies in December, following settlement of the industrial dispute at one of the major plants which tied up production for nearly eight weeks, was an important sustaining factor to several lines of industry in the fourth district. Prior to its settlement some indication of a slowing-down in parts production was evident. Weekly assemblies rose sharply to 118,405 units in the week ended December 16 and remained at approximately that level in the following week which was within close range of the ten-year record of 121,038 cars in the corresponding week of 1936. In the same period last year output was 92,890 cars and in the three latest weeks, based on *Ward's* reports, current production exceeded the corresponding interval of 1938 by 55,000 cars. In December 1938 total output was 388,000 units, but the latest gain will not be sufficient to equal the record December 1936 production of just under 500,000 cars and trucks, although it should raise the monthly figure well above 425,000 cars and cause the 1939 national total to approximate 3,575,000 units. The eleven-month output, according to the *Department of Commerce*, was 3,125,034 cars and trucks.

All through the year automobile production led 1938 by a sizable margin, the gain for the first six months being 62 percent. The eleven-month increase was 48.8 percent, but output in October and November was held back appre-

ciably by the industrial dispute. Total automobile production in 1938 was considerably better than in 1934, but was under the three years 1935 to 1937. Truck production, partly because of increased foreign demand, showed about the same increase over 1938 as did passenger car output; for the eleven-month period each was up more than 48 percent. Domestic truck buying also improved toward the year end coincident with the expansion in general industrial activity.

Inability to deliver passenger cars, following new model introductions, undoubtedly had some effect on sales, but the extent of this is not known. Despite this fact, however, it has been reported in trade circles that retail sales since September have held up better than the seasonal trend. Preliminary reports covering November indicate that for the country as a whole new car registrations were 22 percent larger than a year ago. In leading counties of this district inability to make deliveries held the gain in November to seven percent. Pressure for deliveries has kept new car stocks, which ordinarily increase at this season, at a very small figure, according to reports, but used car inventories are entering the period when they customarily are augmented.

#### **Rubber, Tires**

Even before the outbreak of war in Europe brought about an increase in crude rubber prices and resulted in heavy forward buying of rubber products in the expectation that prices might rise, total sales by the rubber industry were far above 1938 and close to the levels of 1936 and 1937. An unusually large volume of tire sales in the replacement market developed as demand grew for tires to be used on cars which were new in 1936 and 1937. Sales were further stimulated by special price concessions during most of the summer. Shipments to automobile manufacturers reflected the better demand for cars as compared with 1938. Sales of mechanical rubber goods were also much larger than in 1938, but they did not come up to the level of the two preceding years.

During the first eight months of 1939 crude rubber prices fluctuated within a very narrow range, averaging about 16 cents per pound. In September, however, a burst of speculative buying forced the price up to a peak of 24 cents per pound, but after late September prices receded and remained quite stable at about 20 cents per pound. The rapid September rise brought about fears that prices of finished products might increase, and tire dealers, operators of large truck and bus fleets, and users of mechanical rubber goods bought heavily during September and early October. Effective October 1, prices of mechanical rubber goods were increased, but late in October list prices of tires were reduced to approximately the level actually prevailing during the summer when sale prices were lower than list prices. After this reduction, dealers were less anxious to build up stocks, and in mid-December, tire manufacturers reported that replacement tire business had fallen off more than seasonally from the high level prevailing from June through October. This was expected in view of the heavy volume of shipments to this market in the summer and early fall. Some backlogs still existed, but in most cases current production was sufficient to permit rebuilding of depleted manufacturers' inventories even though sales of original tires increased and partly offset the contraction in replace-

ment tire demand. Some companies have reduced operations to levels more in line with incoming orders.

Consumption of crude rubber in October rose to an all-time peak of 55,764 tons, and in November it was 54,322 tons. On a daily average basis, the November rate was slightly higher than in October. As a result of this sustained high level of activity, total consumption of crude rubber in the first eleven months of the year rose to 529,163 tons, slightly higher than in the record year 1936, and 43 percent larger than in 1938.

#### **Textiles and Clothing**

The extent of the recovery experienced by the textile and clothing industry during 1939 is shown by the fact that in the first ten months of the year consumption of apparel class wool was 47 percent greater than in 1938, and seven percent larger than in 1937. Rayon shipments during the first eleven months of the year exceeded 1938 by 31 percent. Shipments during November were at practical production capacity, although they were slightly lower than in October. On November 1 employment at eleven Cleveland textile mills and clothing plants was the highest since 1936. Since early November there has been only a minor reduction in number of workers, and the average for the first eleven months of the year exceeded that of 1938 by 18 percent, and 1937 by three percent.

Men's clothing plants in the fourth district enjoyed a much better volume of business on both spring and fall lines in 1939 than they did in 1938. According to the *Department of Commerce*, there were 1,400,000 men's coats and suits cut in the Cleveland and Cincinnati industrial areas during the first ten months of 1939, a gain of 19 percent over 1938. Data for the last two months of the year are not available, but reports from manufacturers indicate that an even larger gain was made in that period. In mid-December nearly all plants were said to be operating at or close to capacity on spring merchandise, and orders for spring delivery were sufficient to assure the current rate of operations through March. Some companies reported advance orders as much as 95 percent ahead of last year, but the average gain was about 30 percent. Manufacturers' inventories were larger than a year ago because production of spring merchandise had been started earlier than usual in order to fill orders already on hand. Unseasonably warm weather retarded sales of winter clothing and overcoats in November and December, and the hoped-for volume of fill-in business was lacking.

Manufacturers reported in mid-December that inventories of small retailers were considerably higher than a year ago, and that unless sales picked up rapidly, orders already placed with manufacturers would result in a further accumulation of stocks. At fourth district department stores, however, stocks of men's clothing on December 1 were three percent lower than a year earlier. Women's wear inventories, on the other hand, were up nine percent.

#### **Other Manufacturing**

Nearly all other manufacturing plants in the fourth district operated at a considerably higher average rate in 1939 than in 1938. The year started slowly, with minor declines in orders, production, and shipments during most of the first six months, but recovery set in gradually in July and August and proceeded rapidly after the outbreak of war

in September. Heavy backlogs were built up in September and October, and operating rates in many plants were raised to capacity. New business was in lower volume in November and December, but unfilled orders at the year end were still substantial. There were few changes in wage rates during 1939.

The machine tool industry was more active in the first eight months of the year than most other lines. Orders received during this period were greater than in any other similar period on record with the exception of 1937, and production expanded steadily. For six weeks after the outbreak of war, buying was at an unprecedented level, and nearly all companies accumulated large backlogs. During November and December new business was more moderate, but in some cases it still exceeded production and shipments. The new index of activity in this industry compiled by the *National Machine Tool Builders' Association* showed that operations had expanded steadily from 53 percent of theoretical capacity in January to 91 percent in November.

Manufacturers of other heavy industrial machinery such as foundry and mining equipment also operated at considerably higher rates in 1939 than in 1938. The index of new foundry equipment orders, which averaged 89 percent of the 1922-24 base in 1938, averaged 149 percent in the first eleven months of 1939. The low point for the year was reached in May, and the peak of 220 in October. New business was slightly lower in November, but still exceeded shipments, and unfilled orders rose to the highest level since the end of 1937. Backlogs of mining equipment manufacturers were also large.

Makers of small tools and industrial supplies reported in mid-December that sales were somewhat below the high level of September and early October, but that they were holding well above 1938. Buyers were asking for immediate shipments, and there was little indication that inventories of these materials were being built up. Employment in these plants was said to be about the same as in November, and 25 percent higher than a year ago.

Most branches of the glass industry reached their low points for the year in July. Window glass production for that month was at the rate of only 43 percent of capacity, and output of plate glass was only 6,212,000 square feet. Production expanded somewhat in August, and rose rapidly in September and October. The upward trend continued through November in the window glass industry, and output rose to 71 percent of capacity, but production of plate glass was lower than in October when a two-year

peak of 18,369,000 square feet of glass was produced. In the first eleven months of the year 70 percent more window glass and 79 percent more plate glass was made than in the same period in 1938, but production of these types of glass was 24 percent and 33 percent, respectively, lower than in 1937. In mid-December glass makers reported that incoming orders were in lower volume than a month earlier, and that pressure for deliveries was also less, but there were no cancelations. Production exceeded new business, but some backlogs still existed. Manufacturers' inventories were low.

Office equipment manufacturers benefited from the expansion in industrial and commercial activity during September and October, and orders from domestic sources were as much as 30 percent higher than last year. New business fell off somewhat in November, but some companies reported the best November sales in history. Production trends varied widely; some plants were continuing to expand operations in mid-December while others had curtailed them. Backlogs were still substantial, however.

Fine paper mills stated that buyers were more conservative in November than they had been in September and October, but that pressure for deliveries on orders already placed continued. Production was at capacity, with some employees being paid overtime. Prices for first quarter delivery had been increased on some grades of book and bond papers. Paperboard and box manufacturers were catching up with order backlogs in mid-December and some inventories were accumulating. New business had fallen off more than seasonally, but the price structure remained firm. Wage cuts made in 1938 had been restored, but mills which had not reduced wages in 1938 had not raised them.

The china and pottery branch of the ceramics industry benefited from reduced foreign competition in 1939, and many plants in this district operated at the best rates in more than a decade. In mid-December, orders were down seasonally from November levels, but there was still some pressure for pre-Christmas deliveries. Production and employment had been reduced only slightly, and inventories were being built up.

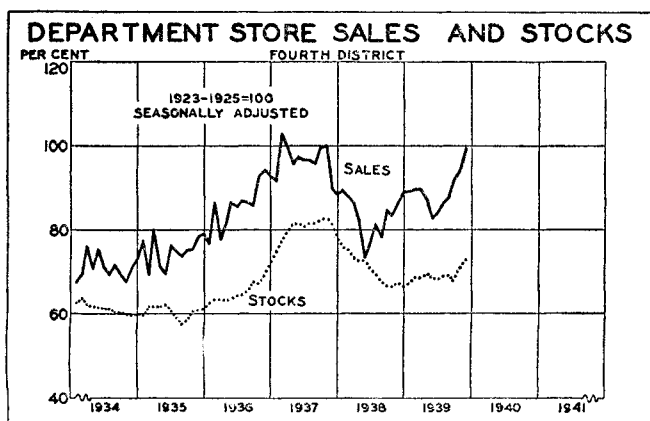
Shoe production at fourth district factories during the first eleven months of 1939 was ten percent larger than in 1938. Output reached its seasonal peak in August, after which it declined until late November when the transition to spring lines was made. In mid-December nearly all plants were active on spring merchandise. Advance orders were as much as 18 percent ahead of last year, and retailers had requested early shipment. Retail sales of fall and winter shoes were not up to expectations, and there was little fill-in business.

## TRADE

### Retail

Retail trade in the fourth district during 1939 was much better than in 1938. Based on eleven-month totals, dollar volume of department store sales was eight percent larger than in the preceding year, wearing apparel shops reported a gain of four percent, retail furniture sales were up 17 percent, and chain grocery stores sold six percent more foodstuffs and household articles. Sales at chain drug stores were also larger than in 1938.

Department store sales, after allowing for seasonal variations, were weak during the first part of the year, and



the index of dollar volume fell from 89 percent of the 1923-25 average in January to 83 percent in May. Thereafter it rose for six consecutive months to 99.5 in November, the highest point reached by the index since October 1937. Sales during November were 15 percent larger than in the same month in 1938, and exceeded all other Novembers since 1929. Weekly reports covering the first half of December, however, indicated a little less than the usual gain over November was being recorded.

Department store purchasing policies remained conservative during the greater part of the year and until October changes in stocks on hand were closely in line with seasonal trends. The adjusted index of department store stocks, therefore, remained almost constant and only slightly above the low point of 1938. In October and November, however, heavy shipments were received, and the adjusted index rose eight percent to the highest level since March 1938 and slightly above that at the end of 1936.

**Wholesale** Wholesale trade also improved in 1939 and fourth district firms reporting to the *Department of Commerce* sold nine percent more merchandise in the first eleven months of the year than in 1938. Gains were general, ranging from less than two percent for grocery firms to 31 percent for dealers in industrial hardware and supplies. Sales of lumber and building supplies, electrical appliances, and dry goods were up from 18 to 20 percent.

Wholesalers' inventories were increased sharply in September and October, but were reduced slightly in November. Nevertheless, at the beginning of December they were six percent larger than a year earlier. Accounts receivable increased during the year because of the larger volume of sales, but collections were better than in 1938.

### CONSTRUCTION

Activity in the construction industry in the fourth district was sustained at a relatively high level in 1939 and total contracts awarded were the largest since 1930. According to the *F. W. Dodge Corporation*, the value of all projects started in the first eleven months of the year was 25 percent larger than in 1938 and it exceeded 1937 by ten percent. Most of the gain over previous years represented increased activity of private builders, particularly in the residential field. Commercial and factory building was in small volume and private nonresidential construction was only slightly higher than in 1938.

There was some decline from earlier levels in nearly all classes of private building during November, but public construction was slightly larger than in October. This decline in private work was largely due to seasonal factors. Although there has been considerable talk of industrial and public utility expansion programs, the volume of this type of work actually started in November was lower than in September and October. Compared with a year ago, residential contracts awarded in November showed an increase of 55 percent, whereas the total was down 29 percent. This drop was due to the fact that a large volume of public projects was being started late in 1938.

### AGRICULTURE

Yields of most major fourth district crops during 1939 compared favorably with prior years. Corn production was the largest since 1925, the tobacco crop was 13 percent larger than in 1938, and hay and potato production

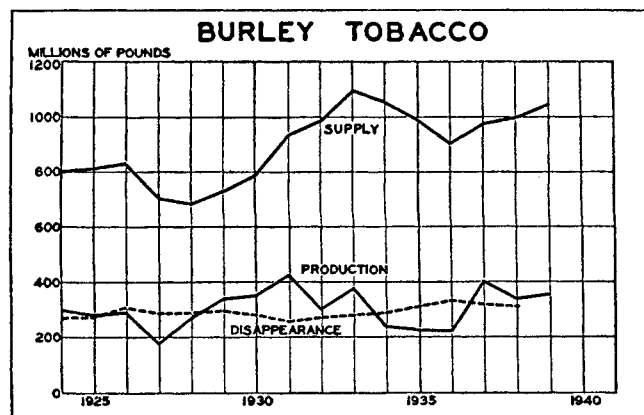
were slightly greater than their ten-year averages. The wheat harvest, however, was somewhat reduced because of smaller acreage.

Even though the average of all farm prices was quite stable after September, price movements in the last quarter of the year were marked. Wheat prices rose sharply in December, following reports of continued drought in southwestern areas and lower than expected foreign production, and other grains also advanced. Cattle prices lost about one-third of their September advance, and hog prices fell to the lowest point in five years. Fourth district farmers were not materially benefited by high wheat prices, for most local wheat had already been sold, and falling livestock values were particularly disappointing in view of larger than usual feeding operations.

**Tobacco** The marketing season for burley tobacco opened on December 11, one week later than usual because buyers were delayed in Southern markets. This delay permitted growers to prepare large quantities of leaf, and selling proceeded rapidly until the Christmas holidays. Because of the large crop and a heavy carry-over from prior years, prices were disappointing to farmers. During the first week of sales, prices on the Lexington market averaged 17.02 cents per pound, compared with a season average of 21.48 cents last year.

The accompanying chart shows annual production and disappearance of burley tobacco in the United States from 1924 to date, together with the supply available on October 1 of each year, which includes carry-over of old stocks plus the current year's output. It is apparent that production of burley tobacco has been larger than annual disappearance in all but three of the last eleven years, and two of these three were drought years. In spite of efforts to curtail acreage, therefore, stocks now on hand are estimated to be the third largest in history.

**Wheat** The drought in the southwestern wheat belt has been so severe that the *Department of Agriculture* estimates winter wheat production in 1940 will be smallest since 1917. The condition of the crop on December 1, at only 55 percent of theoretical normal, was the poorest on record, and compared with 72 percent last year and 80 percent, the ten-year 1927-36 average. Prospects in the fourth district were much better than in most sections of the country, and in Ohio the crop's condition was placed at 81 percent of normal, compared with 79 percent last year.



Wholesale and Retail Trade

(1939 compared with 1938)

	Percentage Increase or Decrease		
	SALES November 1939	SALES first 11 months 1939	STOCKS November 1939
<b>DEPARTMENT STORES (53)</b>			
Akron.....	+15.6	+17.1	+18.4
Cincinnati.....	+15.2	+6.5	+1.4
Cleveland.....	+10.2	+7.4	+12.0
Columbus.....	+12.6	+7.6	+18.3
Erie.....	+19.1	+7.4	+9.5
Pittsburgh.....	+21.4	+6.5	+1.4
Toledo.....	+4.7	+8.7	+12.7
Wheeling.....	+21.1	+4.4	+5.9
Other Cities.....	+14.3	+14.4	+8.8
District.....	+15.0	+8.3	+7.7
<b>WEARING APPAREL (13)</b>			
Cincinnati.....	+7.0	-4.6	-3.7
Cleveland.....	+8.6	+7.1	-2.6
Pittsburgh.....	+18.4	+3.4	+17.9
District.....	+10.5	+4.4	+4.6
<b>FURNITURE (39)</b>			
Cincinnati.....	+6.6	+6.6	
Cleveland.....	+11.3	+18.0	
Columbus.....	+2.8	+15.7	
Dayton.....	-6.0	+8.7	
Toledo.....	+21.3	+4.7	
Other Cities.....	+51.0	+33.2	
District.....	+13.4	+16.6	
<b>CHAIN STORES*</b>			
Drugs—District (5).....	+5.4	1	
Groceries—District (4).....	+8.2	+6.1	
<b>WHOLESALE TRADE**</b>			
Automotive Supplies (9).....	+12.2	+9.3	-4.4
Beer (8).....	+10.7	1	+40.0
Clothing and Furnishings (5).....	+25.6	1	1
Confectionery (5).....	+7.8	1	1
Drugs and Drug Sundries (7).....	+11.3	+7.2	+7.5
Dry Goods (3).....	+34.1	+20.8	1
Electrical Goods (16).....	+49.2	+18.7	-1.7
Fresh Fruits & Vegetables (7).....	-0.7	1	-20.3
Furniture & House Furnishings (3).....	+6.5	1	1
Grocery Group (53).....	-0.4	+1.7	+5.9
Total Hardware Group (38).....	+19.2	+13.3	+19.6
General Hardware (9).....	+6.8	+6.2	+24.3
Industrial Supplies (15).....	+37.6	+31.2	+0.5
Plumbing & Heating Supplies (14).....	+26.1	+16.4	+23.3
Jewelry (5).....	+15.0	+14.6	+2.7
Lumber and Building Materials (4).....	+12.8	+18.6	1
Meats and Meat Products (4).....	+11.8	1	+23.5
Paints and Varnishes (7).....	-15.0	1	-13.6
Paper and its Products (7).....	+32.4	+13.2	+1.8
Tobacco and its Products (17).....	+4.6	+0.8	+6.0
Miscellaneous (22).....	+36.2	+22.7	+2.1
District—All Lines (220).....	+13.6	+8.6	+5.6

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

Fourth District Business Indexes

(1923-25=100)

	Nov. 1939	Nov. 1938	Nov. 1937	Nov. 1936	Nov. 1935
Bank debits (24 cities).....	89	76	85	87	76
Commercial Failures (Number).....	32	44	43	36	50
" (Liabilities).....	16	19	42	53	24
Sales—Life Insurance (O. and Pa.).....	81	76	85	84	88
" —Department Stores (48 Firms).....	107	93	96	100	83
" —Wholesale Drugs (7 firms).....	128	115	119	105	93
" —Dry Goods (3 firms).....	65	48	50	61	51
" —Groceries (53 firms).....	72	72	82	74	71
" —Hardware (9 firms).....	84	79	89	93	75
" —All (72 firms)**.....	76	73	81	79	71
" —Chain Drugs (4 firms)**.....	96	91	87	92	91
Building Contracts (Total).....	55	78	53	44	30
" (Residential).....	70	46	59	46	18
Production—Coal (O., W. Pa., E. Ky.).....	89	73	73	90	69
" —Cement (O., W. Pa., E. Ky.).....	91	66	88	101	57
" —Elec. Power (O., Pa., Ky.)*.....	224	190	198	193	168
" —Petroleum (O., Pa., Ky.)*.....	124	118	127	118	118
" —Shoes.....	86	78	60	81	70

\* October.  
 \*\* Per individual unit operated.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	November 1939	% change from 1938	Jan.-Nov. 1939	% change from 1938
Bank Debits—24 cities.....	\$2,407,000	+17.2	\$23,796,000	+8.0
Savings Deposits—end of month				
40 banks O. and W. Pa.....	\$ 777,004	+0.3	1	1
Life Insurance Sales:				
Ohio and Pa.....	\$ 78,352	+6.6	836,677	+13.5
Retail Sales:				
Dept. Stores—53 firms.....	\$ 25,691	+15.0	227,312	+9.1
Wearing Apparel—13 firms.....	\$ 1,038	+10.5	9,354	+4.4
Furniture—39 firms.....	\$ 776	+13.4	8,696	+16.6
Building Contracts—Total.....	\$ 26,401	-29.2	346,261	+24.5
" —Residential.....	\$ 12,121	+54.8	132,275	+58.1
Commercial Failures—Liabilities.....	\$ 710	-15.9	12,001	-31.8
" —Number.....	47 <sup>2</sup>	-26.6	712 <sup>2</sup>	-21.5
Production:				
Pig Iron—U. S..... tons	3,720	+63.9	27,758	+66.6
Steel Ingot—U. S..... tons	5,463	+53.5	40,604	+65.0
Auto—Pass. Car—U. S.....	285,282 <sup>2</sup>	-10.9	2,492,969 <sup>2</sup>	+48.8
Auto—Trucks—U. S.....	66,530 <sup>2</sup>	+27.8	632,065 <sup>2</sup>	+48.5
Bituminous Coal, O., W. Pa., E. Ky..... tons	16,150	+23.1	129,890	+14.5
Cement—O., W. Pa., W. Va. bbls.	1,100	+37.7	10,620	+19.6
Elec. Power, O., Pa., Ky. Thous. k.w.h.....	1,877 <sup>2</sup>	+17.4	16,433 <sup>4</sup>	+11.3
Petroleum—O., Pa., Ky. bbls.	2,284 <sup>3</sup>	+4.4	21,567 <sup>4</sup>	-3.2
Shoes, U. S..... pairs	5	+10.2	5	+10.2
Tires, U. S..... casings	4,867	+17.6	52,599	+48.4
Bituminous Coal Shipments:				
L. E. Ports..... tons	6,437	+29.6	40,198	+15.9

<sup>1</sup> Not available  
<sup>2</sup> Actual number  
<sup>3</sup> October  
<sup>4</sup> Jan.-October  
<sup>5</sup> Confidential

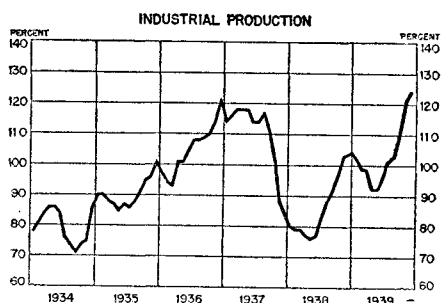
Debits to Individual Accounts

(Thousands of Dollars)

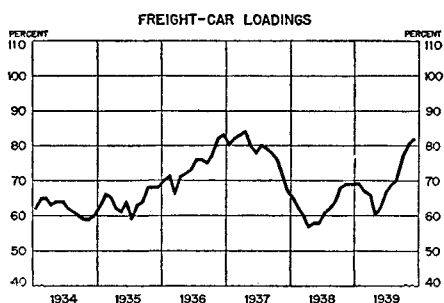
	4 Weeks ended Dec. 20, 1939	% change from 1938	Year to Date Dec. 29, 1938 to Dec. 20, 1939	Year to Date Dec. 30, 1937 to Dec. 21, 1938	% change from 1938
Akron.....	74,050	+32.0	783,907	672,195	+16.6
Butler.....	9,873	+18.6	107,921	98,101	+10.0
Canton.....	38,266	+26.6	413,548	351,789	+17.6
Cincinnati.....	324,512	+8.0	3,752,507	3,544,644	+5.9
Cleveland.....	605,865	+22.0	6,623,878	5,898,275	+12.3
Columbus.....	186,901	+20.4	2,021,519	1,900,196	+6.4
Dayton.....	64,316	+12.4	745,900	708,778	+5.2
Erie.....	28,672	+13.4	315,575	293,753	+7.4
Franklin.....	3,167	+2.1	33,459	33,712	-0.8
Greensburg.....	8,198	+27.1	80,429	78,387	+2.6
Hamilton.....	11,194	+11.3	127,118	121,669	+4.5
Homestead.....	3,101	+16.4	37,222	33,517	+11.1
Lexington.....	25,686	-11.3	269,559	272,965	-1.2
Lima.....	15,425	+21.6	160,345	160,877	-0.3
Lorain.....	5,727	+37.3	59,625	53,517	+11.4
Middletown.....	13,287	+33.8	126,685	103,912	+21.9
Oil City.....	11,521	+29.9	115,910	110,372	+5.0
Pittsburgh.....	710,884	-6.7	7,438,827	7,141,396	+4.2
Sharon.....	8,767	+17.8	95,779	87,079	+10.0
Springfield.....	15,391	+7.1	196,876	187,916	+4.8
Steubenville.....	10,271	+23.1	112,947	99,684	+13.3
Toledo.....	136,395	+4.3	1,406,631	1,304,679	+7.8
Warren.....	11,334	+31.6	115,690	95,657	+20.9
Wheeling.....	31,647	+14.9	342,474	317,632	+7.8
Youngstown.....	51,156	+35.0	550,422	460,044	+19.6
Zanesville.....	8,343	+8.3	96,136	87,715	+9.6
Total.....	2,413,949	+8.7	26,130,889	24,218,461	+7.9

## Summary of National Business Conditions

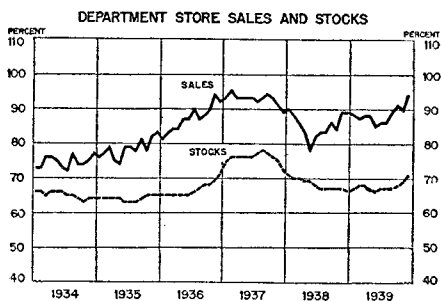
By the Board of Governors of the Federal Reserve System



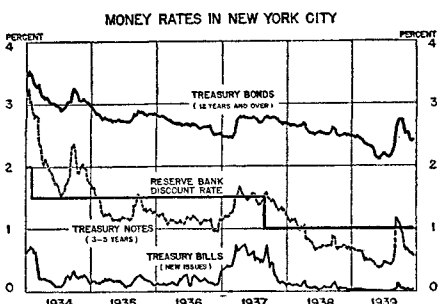
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to November 1939. Latest figure—124.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to November 1939. Latest figure—82.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to November 1939. Latest figures—sales 94, stocks 71.



For weeks ending January 6, 1934, to December 9, 1939.

Following a rapid rise after the outbreak of the European war industrial activity continued at a high level in November and the first half of December. There was a considerable increase in distribution of commodities to consumers while prices of basic commodities, which had been steady during November, rose somewhat in the first two weeks of December.

### Production

The Board's seasonally adjusted index of industrial production advanced from 121 to 124 per cent in November, reflecting sustained activity at a period of the year when a decline is usual. Production of durable goods, which had advanced rapidly for several months, showed a further expansion. Record production of steel ingots continued in November and was followed by a less than seasonal decline in the first half of December. Automobile production increased in November, notwithstanding the fact that plants of one important company remained closed pending settlement of an industrial dispute. After this was settled at the end of November assemblies rose sharply. Retail sales of new automobiles were in large volume in November and at the end of the month dealers' stocks of new cars apparently were smaller than at the corresponding time in other recent years. Lumber production declined less than seasonally in November but plate glass production, which had reached a high level in October, showed a reduction.

Output of nondurable goods continued at a high level in November. At cotton and woolen mills activity increased somewhat further and was close to the record levels reached three years ago. Rayon production advanced to new high levels but at silk mills there was a sharp decline following substantial increases earlier this fall. Output of flour and sugar declined further from the levels reached in September while changes in activity at shoe factories and meat-packing establishments were largely seasonal in character.

Coal production in November declined somewhat from the high level reached in October. Output of crude petroleum increased further and iron ore shipments continued in exceptionally large volume until the Great Lakes' shipping season closed in the latter part of the month.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased in November following a sharp decline in October. In both months changes in total awards reflected principally fluctuations in the volume of contracts for public construction. Private residential awards declined somewhat less than seasonally in November, while awards for other private projects showed little change. Contracts for private work, both residential and nonresidential, were larger than a year ago, while those for public projects were below the high level of that time when contracts under the Public Works Administration program were being awarded in large volume.

### Employment

Factory employment and pay rolls continued to increase in November, reflecting chiefly further sharp advances in industries producing steel machinery, and other durable goods.

### Distribution

In November distribution of commodities to consumers increased considerably. The Board's seasonally adjusted index of department store sales, which had been around 90 in the three preceding months, advanced to 94, a level about the same as at the peak in 1937 when prices of commodities sold at department stores were generally somewhat higher than at present.

Freight-car loadings showed less than the usual seasonal decrease from October to November and the Board's adjusted index increased from 80 to 82, which was only slightly under the recovery peak reached in the early part of 1937. Shipments of ore and miscellaneous freight declined less than is usual in November, while loadings of coal decreased more than seasonally from the relatively high October level.

### Commodity Prices

Prices of both industrial materials and foodstuffs advanced from the latter part of November to the middle of December. Wheat and silk prices rose considerably and there were smaller increases in cotton and hides. Prices of steel scrap and nonferrous metals, on the other hand, showed declines.

### Government Security Market

Prices of United States Treasury bonds advanced sharply during the last half of November to a level not far below the all-time high point of last June and remained steady during the first half of December.