

MONTHLY BUSINESS REVIEW

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and agricultural conditions



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The year 1940 probably started with industrial output at the highest level ever recorded for that season of the year, even though there was some contraction in those lines whose rapid advance contributed most to the general upswing following declaration of war in Europe. So far as actual output of goods is concerned, the falling-off thus far has been moderate, for industrial activity has been maintained at a fairly high level partly because large unfilled orders were carried over into the new year. Many industries report a decline in incoming orders, and output is being maintained to a considerable degree at the expense of the backlog of orders on hand. The time is approaching when orders will have to expand from the present level or production will have to be reduced further if inventory accumulation is to be avoided.

The foregoing is most applicable to the iron and steel industry, in which production rose from an index of 105 in August (based on 1923-25 average as 100 and after allowing for seasonal fluctuations) to 178 in December. Steel operating rates advanced from 62 percent of capacity in August to 93 percent in November. By the fourth week in January, however, operations were scheduled at only 82 percent of capacity and trade reports indicated that order backlogs were being sharply reduced. Since approximately 50 percent of all steel made in the United States is produced in the fourth district and the iron and steel industry is the largest employer of labor in this area, this decline in operating rates is of particular importance locally.

A sustaining factor in the business situation has been the continued high level of automobile production which has benefited local parts makers and tire and glass manufacturers. Weekly figures on automobile assemblies indicate only moderate recession from high December levels, and automotive demand for many products has partially counteracted a falling-off in business from other sources. This was particularly true in the glass and rubber industries, where automotive demand has partly offset a seasonal decline in building glass sales and more than seasonal reduction in replacement tire shipments.

Coal producing areas were benefited in January by extremely cold weather and the resulting pickup in demand for heating fuels. Output had declined in November and December after the close of the lake shipping season in spite of heavy industrial consumption, but in mid-January it had recovered almost to the October level. Prices for domestic grades were strong, but industrial fuel prices

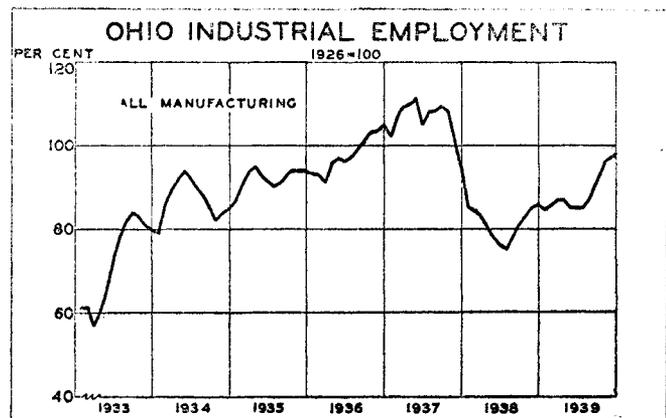
were said to have weakened. Export demand had not materialized to the expected extent.

Machine tool builders operated at the highest rate in history during December and production was maintained at capacity in January. Incoming orders, however, were considerably below shipments and backlogs were being reduced. Makers of other types of machinery and industrial supplies also reported in mid-January that orders were below current production, but that there were few cancellations or deferments of orders already placed.

Producers of consumers' goods such as clothing and shoes were active on spring merchandise in mid-January. A large volume of orders had been received when spring lines were opened last fall and many factories have been working at capacity in order to meet delivery dates.

The record volume of industrial production reached in December is reflected in employment figures now available, but, as shown in the accompanying chart, the large volume of output was attained with a considerably smaller number of workers than was employed in 1937. Compared with 1938, however, manufacturing employment in Ohio during December was up 14 per cent. Steel works contributed a large part of this gain, but the number of men employed in rubber plants was up 15 percent, and workers in the electrical machinery industry were eleven percent more numerous.

These large gains in employment were accompanied by expanded payrolls, and retail trade in the district rose sharply during the last two months of 1939. Sales at reporting department stores in those months were the largest since 1929. In the first three weeks of January,



however, weekly reports indicated that sales had declined more than seasonally from December. The better level of income in 1939 as compared with 1938 was also reflected by life insurance sales in Ohio and Pennsylvania, which were seven percent larger in 1939 than in the preceding year.

FINANCIAL

There was little change in financial conditions in the fourth district during the past month. Repayments of loans at weekly reporting member banks were approximately equal to new borrowings, and there was only a slight increase in security investments. Currency was returned to the banks in about the usual post-Christmas volume, and Federal reserve notes issued by this bank declined to \$453,124,000 on January 17. This was approximately the same as the amount outstanding early in December, but was eight percent higher than a year previous. Reserve deposits of member banks continued to rise, reaching a new peak of \$692,170,000 on January 17.

Federal Reserve Bank Credit The year end condition statement of the Federal reserve bank shows that total assets increased about \$270,000,000 during 1939 and that most of the increase was in the form of gold certificates. United States Government security investments rose a net amount of about \$1,400,000, and discounts for member banks advanced \$400,000. Working capital loaned directly to industry was cut almost in half and totaled only \$315,000 on December 30. Commitments to make industrial advances were also reduced by one-half and amounted to only \$1,140,000 at the year end.

Total current earnings for the year were \$3,846,000, a gain of \$355,000 over 1938. This increase was largely the result of shifts in the type of securities in the open market portfolio, for low yielding Treasury bills were allowed to mature without replacement and longer term securities with higher yields were purchased during the period of unsettled conditions in the money market following outbreak of war. As a result of these changes, the average yield on earning assets rose from 1.32 percent in January to 1.71 percent in December, with the average for the year being raised to 1.43 percent as compared with 1.31 percent in 1938. Net earnings of \$1,219,000 were disposed of by dividends to member banks amounting to \$823,000 and additional credits to reserves for depreciation and contingencies totaling \$396,000.

Twenty-three banks in the fourth district became members of the system during 1939, bringing total membership in this district to 639. Since some banks were absorbed by others during the year, there was a net increase of 15.

Member Bank Credit The December 30 call report shows that all member banks in this district increased their loans approximately seven percent during 1939. The total increase, \$77,000,000, was about evenly divided between the 41 weekly reporting member banks in leading cities of the district, who hold about two-thirds of the assets of all fourth district member banks, and the 598 other smaller institutions. Investment trends of the two types of banks were quite divergent, however, with city banks reporting a net increase of three percent in their investment portfolios, while rural banks showed a net decrease of two percent. Security holdings of the weekly reporting banks rose in the second quarter of the year, were reduced to the level prevailing

at the end of 1938 by September 30, and rose again in the last quarter. The trend of country bank security investments, however, was steadily downward in the first three quarters of 1939, but they remained unchanged in the last three months of the year.

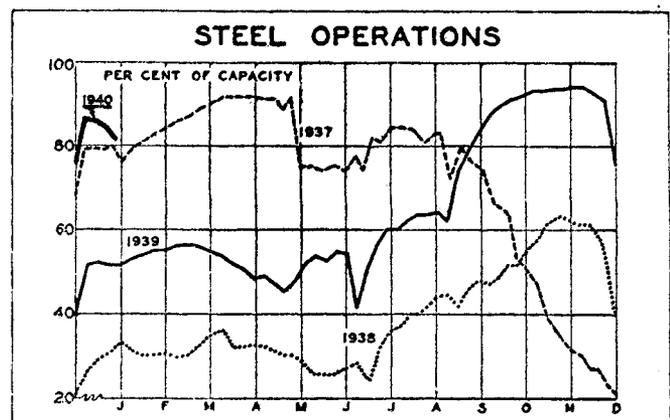
Member bank reserves rose sharply in 1939. Customers' deposits also increased, but at a slower rate than reserves, and the gain in reserve balances exceeded the rise in reserve requirements. In the last half of December, reserves were 82 percent in excess of requirements.

MANUFACTURING, MINING

Iron and Steel

Although the steel industry, judging by weekly operating rates, touched its peak early last December and has since receded from that position (the contraction in two weeks being due to seasonal conditions) the year 1940 started with operations at a better level than in any recent period. By the fourth week of January the scheduled National rate had receded to 82 percent of capacity, but that compared with 52 percent in 1939, 33 percent in 1938, and just under 80 in 1937. In addition, because of increased production facilities, the tonnage of ingots now being turned out shows larger gains than the difference in operating rates would indicate.

A contraction in steel mill operations at this season is contrary to the experience of past years, but it has not been unexpected in most trade circles and elsewhere. It should be considered as being closely related to and largely a result of developments in the steel industry in the fourth quarter of last year when ordering of steel advanced much more rapidly than did consumption or even actual production. Inability of mills to deliver all steel ordered by the year end meant that sizable backlogs were carried over into 1940. These unfilled orders have enabled most mills to keep operations at a fairly high rate since the beginning of the year, for, according to trade reports, the volume of new orders recently received has been little more than enough to warrant operations at 50 percent of capacity. The backlog of orders at steel mills, therefore, has been reduced appreciably since the beginning of the year. Ability to deliver steel also has lessened customer demand for prompt shipments in some cases and this, together with the steel inventories that have been built up since last September, permits buyers to adjust steel purchases more closely to present requirements. In some cases needs can be supplied from inventories built up as a possible hedge against higher prices or inability to obtain ma-



terials, neither of which has prevailed as yet. A survey by *Steel* indicates that buyers' inventories of steel increased 22 percent between September 1 and January 1. No data are available, however, regarding the amount of goods in various stages of production or inventories of finished steel products, but consumption of steel merchandise in recent months has increased somewhat more moderately in lines where figures are available than has output of steel ingots and semifinished steels.

Steelmakers have fairly large bookings of steel rails, a tonnage product, but specifications have not yet been received for rails, weather conditions not being favorable for track maintenance work. Automotive steel demand is not as heavy as might be expected with production of cars continuing at a high rate, but structural projects are coming out in good volume. Shipbuilding is taking a steady tonnage for craft now being built and a number of ships are under contract for which keels have not yet been laid. Meanwhile, miscellaneous demand continues well sustained.

Operations in various centers of this district, except Wheeling, have declined more sharply from the December peaks than the National average. At Pittsburgh, output in the week ended January 27 was at 78 percent of capacity, compared with a recent peak of 94. Cleveland operations have dropped from 90 to 74 percent, while at Youngstown the contraction has been from 93 to 68 percent. At Wheeling the operating rate recovered in January from the holiday letdown and rose to 96 percent of capacity, a new high level, but subsequently it declined to 80.

Prices for Lake Superior iron ore were established January 2 at the same level as 1939. This is the earliest date for setting ore prices since the 1917 season, the figure then being established November 22, 1916. Toward the end of January there were reports of a sizable iron ore sale below the announced price, but the implications of this were not clear. Ore consumption in December was the largest in 1939, reaching 5,538,374 gross tons and bringing the year's consumption to 44,361,289 tons, compared with 25,703,050 tons in 1938. Stocks at Lake Erie docks and furnaces January 1 were about 2.5 percent larger than a year previous, totaling 35,439,773 gross tons. This supply is sufficient for about 6½ months' requirements at the December rate.

Coal

Output of bituminous coal at fourth district mines in December was somewhat less than in November and considerably below the October peak. Nevertheless, it was nine percent

larger than in 1938 and exceeded all other Decembers since 1930. The decline in operating rates was partially due to ending of the lake shipping season, but it also reflected lessened demand for stocking purposes and small domestic consumption resulting from unusually mild weather in the early part of the winter. Industrial consumers and dealers had bought heavily in September and October as outbreak of war occasioned fears that prices might rise and deliveries be delayed, but these fears subsided in November and December as export demand failed to materialize in substantial volume and mines were able to satisfy domestic needs without serious delays. In December, therefore, working time at many mines was curtailed.

The extent to which industrial coal stocks were built up is shown by data now available relating to stocks on hand at the beginning of December. At that time they amounted to approximately 37,000,000 tons, an increase of 36 percent since September 1, and the largest amount on hand in nearly two years. More recent data have not been compiled, but mine operators reported in mid-January that most of their customers had reduced coal inventories from recent peak levels and current purchases were being more closely allied with consumption.

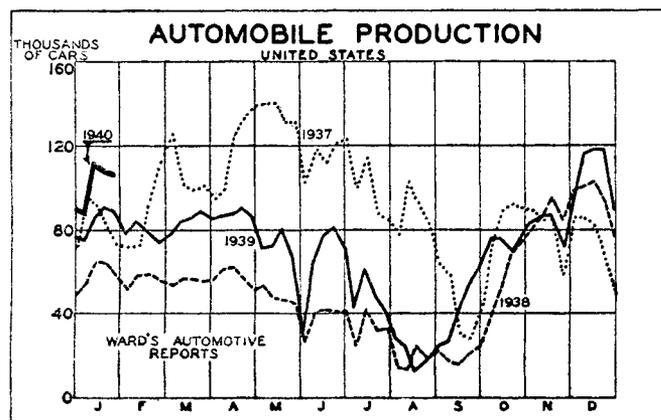
Advent of cold weather in January was beneficial to demand for heating coals, and shipments of domestic grades were in better volume. Industrial consumption, although declining from recent peaks, remained good in relation to other recent years, and in mid-January coal producers reported a larger number of inquiries and purchases than was the case a month earlier. In the second week of the month, therefore, production was raised to levels almost as high as prevailed in October.

This improvement in demand for heating coals reversed the price situation evident in December, at which time industrial grades were in relatively strong demand and prices of domestic fuels weak. In mid-January, prices of prepared coals were strong, while slack and stoker coals were weak.

Automobiles

Final December figures from the Department of Commerce indicate that domestic output was 452,024 cars and trucks, a new high monthly figure since June 1937, and a gain of 16.4 percent over the previous year. While December output did not establish a record for that month, nor did fourth quarter production exceed that of 1936, it came close to equalling that total and would have surpassed it if activity at one major company's plants had not been drastically curtailed by an industrial dispute which lasted practically eight weeks. This development makes a true appraisal of the general automobile picture more than usually difficult, especially when attempting to relate recent production to reports of demand for cars.

December registrations in leading counties of this district were up from November by more than the average amount of other years and were only exceeded by March and May in 1939. The gain over last year was more than 20 percent. In the entire country preliminary figures indicate a smaller increase in December registrations over last year, but they also were only exceeded by two spring months. It is impossible to tell, however, what share of these registrations represented delivery of new cars ordered in October or November on which deliveries could not be made, and what part was new retail



buying. No data are available on cancellation of orders or shifting between dealers and these usually are more prevalent in periods like that just passed than at more normal times.

Incomplete data indicate that, despite the fact registrations were large in December, inventories of finished cars increased quite sharply in the closing month of the year, with output remaining at so high a level. Notwithstanding the increase, however, dealer inventories at the beginning of the year were smaller than at the start of 1939 when passenger car stocks were estimated at 262,000 units by *Automotive Industries*. Since January 1, with weekly production schedules holding up and retail sales down quite sharply from December, partly because of adverse weather, stocks, according to reports, have increased somewhat further, probably to the level of or above last year. In relation to current sales, however, the inventory situation is reported better than in early 1939.

Weekly production in the first four weeks of January, according to *Ward's* reports, averaged 21 percent in excess of the same period of 1939; in fact it was the highest rate of production on record for this period. To date (January 27), according to these weekly reports, 413,785 cars and trucks were made, compared with 343,000 in the comparable four weeks of last year. While the gain over last year was sizable, in relation to December current schedules are below the seasonal experience of other recent years. It is reported that truck demand has fallen off somewhat recently; war orders have not been large.

Makers of automobile parts reported January orders down 10 to 15 percent from December, with smaller declines in production and employment. There has been less pressure for deliveries on some materials, but on others demand has held up very well. This has been particularly true with replacement materials and accessories. In comparison with last year, the auto parts industry reported January operations up more than 25 percent.

In the year 1939 the industry as a whole made 3,577,058 vehicles. This was a gain of 44 percent over 1938, but was somewhat below the three years 1935 to 1937. Of the total, approximately 20 percent represented commercial cars, a slightly larger proportion than in any of the four preceding years.

Rubber, Tires Operations in the rubber industry eased off slightly in December from the record levels of October and November, and according to the manufacturers' reports, production remained at about the December rate in January. Crude rubber consumption in December amounted to 48,428 tons, compared with 55,764 tons in October, but except for 1936, it was the largest December consumption on record. This relatively high rate of activity raised total consumption in 1939 to 577,591 tons, a new record for a calendar year.

Most of the December decline in crude rubber consumption was attributed by manufacturers to a more than seasonal falling-off in sales of replacement tires. Shipments to automobile manufacturers were unusually heavy, and sales of mechanical rubber goods remained large. Tire dealers and operators of truck and bus fleets had stocked up heavily immediately after outbreak of war, and the expected decline in demand from these sources materialized toward the year end as manufacturers reported that

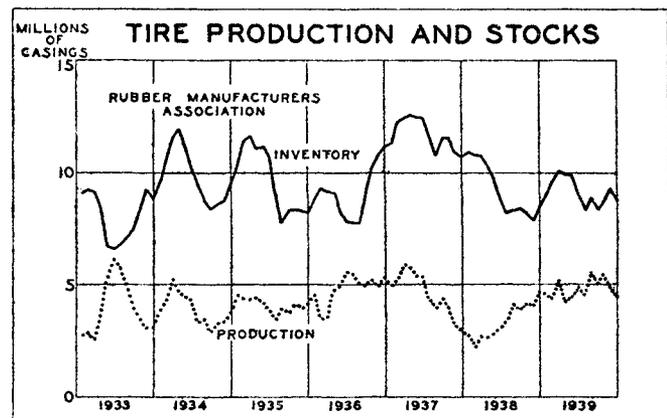
dealers' and consumers' inventories were being reduced. As a result, for the first time since the spring of 1938, replacement tire sales in November were lower than in the preceding year, and this condition continued through December and the first half of January. Tire producers stated in mid-January that order backlogs had been almost entirely eliminated, and companies dependent on the replacement market had curtailed operating time. The larger companies, however, had held operating rates up because of the heavy demand from automobile assembly plants and the desire to rebuild inventories.

The course of tire production and manufacturers' stocks since 1933 is shown in the accompanying chart. It is apparent that total tire production was unusually large throughout 1939, averaging nearly 5,000,000 casings a month. Manufacturers' stocks, which had been built up moderately in the spring, were depleted by heavy shipments during the summer and early fall. At the year end, they totaled 8,688,000 units, a gain of less than three percent over December 31, 1938.

Textiles and Clothing There was little change in conditions in the textile and clothing industry during

December and the first half of January. Men's clothing plants and textile mills in the fourth district reported that during this period they were busy producing merchandise to fill orders for spring delivery, and that since the volume of orders booked during the fall selling season was substantially larger than in other recent years, most factories were working at capacity. Incoming orders were in small volume due to the fact that larger than usual spring orders were placed at the opening of the season and salesmen had been withdrawn until fall lines were ready. Backlogs were sufficient, however, to permit maintenance of current operating rates well through the spring season. Raw material prices fluctuated within narrow ranges, and wage rates at local clothing plants and textile mills remained stable, although advances have been announced at some eastern mills.

Rayon output at fourth district factories reflected the general situation in that industry, and production remained at practical capacity through the year end. According to the *Textile Economics Bureau*, domestic consumption of rayon was maintained at a high level throughout 1939, and reached a new all-time peak in October. Thereafter it declined slightly, but total consumption of filament yarn during the year was 29 percent larger than in 1938 and consumption of rayon staple fiber was 88 percent larger than in the preceding year. Consumption of



both types of fiber was the largest in history. Stocks in manufacturers' hands declined steadily after April, and at the end of the year they amounted to less than a week's supply, although there was some increase in fabricators' and distributors' inventories.

This high level of rayon production and consumption was due in part to high prices prevailing for raw silk and the resulting substitution of the synthetic material for silk. The price of raw silk averaged \$2.71 per pound in 1939, compared with \$1.69 in 1938, and raw silk consumption was the lowest in fifteen years. Although there has been some substitution of rayon for wool, this development was not marked in 1939, and total domestic consumption of apparel wool rose 40 percent over 1938. It was approximately equal to some of the best years in the history of the woolen industry.

Other

Conditions in other manufacturing lines of importance in this district appeared quite mixed in December and early January. In most cases orders were said to have fallen off from September and October peaks, but some industries reported expansion in January. In nearly all instances production and shipments exceeded new business and order backlogs were being reduced, but there were relatively few cancellations or requests for deferred shipments. Inventories were larger than before outbreak of war, but generally were said to be "in line with expanded operations."

Activity in the machine tool industry rose to 93 percent of capacity in December, according to the *National Machine Tool Builders' Association*. This rate, which was the highest of the year, reflected attempts of producers to make delivery on the unprecedented volume of domestic and foreign orders accumulated after outbreak of war. Although the Association no longer compiles an index of orders, new business is said to have reached a peak in September and early October, but orders have since declined while production expanded. Shipments have exceeded orders, therefore, and backlogs have been reduced. Major fourth district producers report, however, that they are yet unable to make prompt delivery on new business.

Foundries also report substantial backlogs on hand, and in mid-January customers were pressing for shipments. Nevertheless, new orders for foundry equipment declined in December to the lowest level since outbreak of war, and manufacturers were able to reduce their backlogs somewhat since shipments, as reported by the *Foundry Equip-*

ment Manufacturers' Association, rose to the highest level in two years. Makers of valves and engineering appliances reported a falling-off of orders in December and the first half of January, whereas mining equipment manufacturers stated in mid-January that new business had improved from the level prevailing in December. In nearly all cases orders were said to be lower than production, but cancellations were infrequent.

Office equipment manufacturers, on the other hand, reported that orders had increased slightly in early January, and that they were not being exceeded by production or shipments. Operating rates, therefore, were quite stable or slightly higher, and inventories were in about the same ratio to shipments as a year ago.

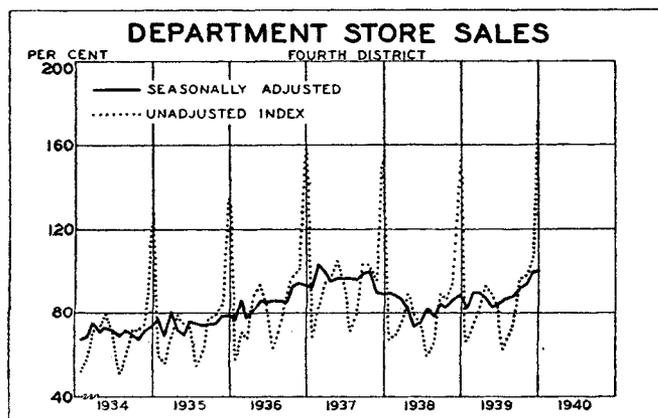
Electrical equipment manufacturers reported a heavy volume of shipments during December, with demand for consumers' articles particularly strong. Manufacturers' shipments of vacuum cleaners, for example, reached a two-year peak in December, and were the largest for that month on record. Order backlogs were sharply reduced except in the case of heavy machinery of types which take a long time to build; in mid-January, therefore, some departments had reduced working forces and curtailed production while others were working overtime.

Glass makers reported that building glass orders were sharply reduced in December and early January, but that automotive demand was sustained at a high level. The decline in sales of building glass was said to be about in line with seasonal expectations, whereas automotive demand was better than seasonal and was beneficial to makers of window glass as well as plate glass because of increasing use of the former, made into safety glass, in new cars. Manufacturers' stocks of both window and plate glass were said to be low and in mid-January production was being maintained in an effort to rebuild depleted inventories. December output of both types of glass was the largest in more than two years.

Thus far the war has had little effect on foreign demand for American glass products, since shipments from Belgium are said to have been sufficient to fill nearly all urgent requirements and foreign buyers have been able to postpone a large part of their purchases.

In the china and dinnerware branch of the ceramics industry, production was at its seasonal low point late in December and early in January. The annual china and glass show at Pittsburgh was well attended, and manufacturers report that more orders were placed than in any other similar period in the last ten years. In mid-January unfilled orders were said to be 25 percent larger than a year ago, and plans were being made for resumption of operations.

Shoe production at fourth district factories rose less than seasonally in December and output was only slightly greater than a year previous. Nevertheless, the total for the year was ten percent higher than in 1938 and slightly larger than in 1936 and 1937 when previous production records were established. Operations expanded in January, and late in the month factories reported that the peak of activity on spring lines had been reached. Orders on hand were said to be at least as large as in any previous year, and capacity operations would be necessary through the balance of the spring season.



TRADE

Retail

Dollar volume of retail trade in the fourth district during December was the largest in any one month since 1929. Department store sales, as shown in the chart on page five, rose to a new peak, and even after allowing for seasonal factors, the adjusted index advanced slightly from the November level. The rise in this index was uninterrupted from May through December, and reached a point almost as high as that attained early in 1937. The gain in total sales over December 1938 was eight percent.

Other types of retail outlets also reported marked gains over 1938. Furniture store sales were up 15 percent, but reporting wearing apparel shops sold only two percent more merchandise than in the corresponding month a year earlier. Chain grocery sales, which are usually subject to moderate fluctuations, were up four percent over a year ago, and drug chains reported a five percent gain.

Final figures for the year 1939, as given in the table on page seven, show that the sales increase over 1938 reported by department stores was eight percent. Stores in Akron benefited from relatively active conditions in the rubber industry and sold over 16 percent more merchandise than in the preceding year, whereas Wheeling department stores reported a gain of only 4.5 percent. Increases reported by stores in other large cities were quite uniform, ranging from 6.5 to 8.3 percent. Furniture store sales in the calendar year were 16 percent larger than in 1938, and wearing apparel shops reported a four percent gain.

The large volume of department store sales during December was sufficient to reduce inventories more than usual, and the seasonally adjusted index of department store stocks fell nearly two points, thus reversing the upward movement which was apparent in October and November. Nevertheless, stocks on hand at the year end were five percent larger than at the beginning, but they were nine percent lower than at the end of 1937.

The usual decline in the ratio of credit sales to total sales occurred during December. Collections, although not as good as in November, were better than a year ago.

Wholesale

Seasonal influences retarded wholesale trade during December, and total sales of fourth district firms reporting to the *Department of Commerce* were slightly lower than in the previous month. Nearly all types of dealers shared in the decline, but sales of electrical goods were up sharply. In comparison with the previous year, however, total dollar volume was up seven percent despite the fact that there was one less business day than in 1938. Sales of electrical goods were up 34 percent and hardware firms reported a 20 percent increase, while large gains were also made by paint and varnish dealers. Grocery sales, which comprised over one-third of the total dollar volume reported, were down three percent.

Inventories at the year end reflected the heavier buying during the latter months of the year and they were moderately larger than at the end of 1938, but the total increase was almost exactly the same as the December gain in sales. Collections were good in December, and accounts receivable at the end of the month were lower than at the beginning. Because of increased sales, they were larger than a year ago.

CONSTRUCTION

Mild weather in December was favorable to building, and lumber dealers reported that full forces were kept busy throughout the month making deliveries of lumber and building supplies. In January this activity was retarded, but it was said that dealers had sufficient orders on hand for full time operations whenever weather permitted.

The *F. W. Dodge Corporation* reported that contracts for new private construction in the fourth district declined less than usual during December, and public building increased somewhat, so that total contracts awarded rose about ten percent above the November level to \$29,750,000. Nevertheless, they were still 26 percent smaller than a year ago, when a large volume of Public Works Administration projects was being started. Contracts for construction of one- and two-family houses were down less than seasonally in December, and exceeded the corresponding month a year ago by 66 percent. In mid-January, builders reported that estimating for new homes was particularly heavy.

AGRICULTURE

Cash income of farmers in the four states comprising this district reflected relatively low prices during the greater part of 1939, and in the first eight months of the year cash receipts were smaller than in either 1938 or 1937. The sharp price advances which occurred in September, however, raised estimated income above the 1938 level, and in October and November cash receipts from marketings were the largest in several years. Nevertheless, as shown in the following table, the total for the first eleven months of the year was four percent smaller than in 1938, and twelve percent under 1937. Government payments were more than 50 percent larger than in the two preceding years, so that total cash income was only two percent lower than in 1938 and ten percent below 1937.

	CASH FARM INCOME*			
	Ohio, Pennsylvania, Kentucky, West Virginia (Thousands of Dollars)			
	1939	1938	1937	1936
From Marketings	\$600,787	\$623,090	\$682,605	\$585,383
Government Payments . . .	33,755	22,246	22,224	12,583
TOTAL	\$634,542	\$645,336	\$704,829	\$597,966

* First eleven months.

Livestock Earlier reports of heavy feeding operations in this district are now confirmed by data regarding livestock on feed January 1. The *Department of Agriculture* reports that the number of cattle on feed in Ohio was five percent larger than a year ago, and that the number on feed in Eastern Corn Belt states was probably the largest in twenty years. Sheep and lambs on feed in Ohio were 16 percent more numerous than a year ago, and the fall pig crop exceeded that of 1938 by 14 percent and the ten-year average by 32 percent.

In spite of heavy feeding operations, stocks of corn on Ohio farms aggregated 114,878,000 bushels on January 1. Representing about 70 percent of the 1939 crop, it exceeded that on hand a year previous by ten percent and the ten-year average 1929-38 by 48 percent.

Recent price movements of grains and livestock products have been unfavorable to feeders, and there has been

a sharp drop in the ratio of hog prices to corn prices. From October 1937 through November 1939 this ratio was quite favorable for hog producers, but in recent weeks it has been considerably below average.

Fourth District Business Indexes

(1923-25=100)

	Dec. 1939	Dec. 1938	Dec. 1937	Dec. 1936	Dec. 1935
Bank debits (24 cities).....	105	97	102	113	86
Commercial Failures (Number).....	24	39	47	27	43
(Liabilities).....	14	22	38	17	28
Sales—Life Insurance (O. and Pa.).....	79	119	87	96	98
—Department Stores (48 firms).....	171	152	151	158	134
—Wholesale Drugs (4 firms).....	129	120	114	120	100
—Dry Goods (3 firms).....	48	48	44	62	48
—Groceries (54 firms).....	64	66	73	80	70
—Hardware (34 firms).....	100	84	81	105	76
—All (95 firms)*.....	71	70	74	86	70
—Chain Drugs (4 firms)**.....	132	126	120	129	112
Building Contracts (Total).....	62	84	57	43	45
(Residential).....	69	61	19	37	16
Production—Coal (O., W. Pa., E. Ky.).....	79	72	69	76	71
—Cement (O., W. Pa., E. Ky.).....	55	45	59	64	34
—Elec. Power (O., Pa., Ky.)*.....	225	194	192	191	169
—Petroleum (O., Pa., Ky.)*.....	123	113	125	127	116
—Shoes.....	91	89	83	103	98

*November.
**Per individual unit operated.

Wholesale and Retail Trade

(1939 compared with 1938)

	Percentage Increase or Decrease		
	SALES December 1939	SALES December 1938	STOCKS December 1939
DEPARTMENT STORES (53)			
Akron.....	+12.0	+16.3	+10.4
Cincinnati.....	+5.3	+6.5	+4.6
Cleveland.....	+9.2	+7.7	+6.3
Columbus.....	+10.0	+8.0	+6.4
Dayton.....	+10.9	+7.9	+3.8
Pittsburgh.....	+6.5	+6.5	+3.2
Toledo.....	+6.2	+8.3	+1.4
Wheeling.....	+5.1	+4.5	+10.7
Other Cities.....	+10.6	+13.8	+7.7
District.....	+8.1	+8.2	+5.9
WEARING APPAREL (12)			
Cincinnati.....	+2.5	-3.8	-0.5
Cleveland.....	+1.5	+6.3	-2.6
Pittsburgh.....	+8.0	+4.1	+11.0
District.....	+2.0	+4.0	+3.3
FURNITURE (39)			
Cincinnati.....	+8.5	+6.8	
Cleveland.....	+15.9	+17.7	
Columbus.....	+7.8	+14.6	
Dayton.....	+9.3	+8.8	
Toledo.....	+11.6	+8.5	
Other Cities.....	+34.3	+33.3	
District.....	+15.2	+16.4	
CHAIN STORES*			
Drugs—District (5).....	+4.9	1	
Groceries—District (4).....	+4.1	+5.9	
WHOLESALE TRADE**			
Automotive Supplies (8).....	-8.8	+8.1	+11.8
Beer (7).....	+10.3	1	1
Clothing and Furnishings (5).....	+7.8	1	1
Coal (3).....	-23.1	1	1
Confectionery (4).....	-0	1	1
Drugs and Drug Sundries (4).....	-1.3	+6.8	1
Dry Goods (3).....	+1.1	+20.2	+24.4
Electrical Goods (10).....	+33.6	+19.9	+4.4
Fresh Fruits & Vegetables (8).....	-7.5	1	-11.6
Grocery Group (54).....	-3.1	+1.3	+6.4
Total Hardware Group (34).....	+19.6	+13.6	+15.2
General Hardware (7).....	+6.2	+6.2	+19.5
Industrial Supplies (13).....	+40.8	+31.8	-5.1
Plumbing & Heating Supplies (14).....	+19.7	+16.6	+18.4
Jewelry (3).....	+14.6	+14.6	1
Lumber and Building Materials (4).....	+1.8	+17.7	1
Machinery, Equip. & Sup. (exc. Elect.) (4).....	+6.9	+2.5	+12.6
Meats and Meat Products (5).....	+10.3	1	+42.1
Paints and Varnishes (6).....	+15.1	1	-8.6
Paper and its Products (6).....	+19.4	+13.8	+12.0
Tobacco and its Products (17).....	+6.1	+1.3	-9.0
Miscellaneous (17).....	+36.1	+23.8	+1.2
District—All Lines (202).....	+6.9	+8.5	+7.1

*Per individual unit operated.
**Wholesale data compiled by U. S. Department of Commerce.
1 Not available.
Figures in parentheses indicate number of firms.

Tobacco Burley tobacco was sold in such large volume in the two weeks before Christmas that the usual holiday shutdown was extended one week in order to allow buyers to clear redrying plants. When sales were resumed on January 8, bidding was active, and prices showed marked improvement over those prevailing before the shutdown. In Lexington, for example, the average price received before the holidays was \$17.45 per hundred pounds, whereas in the first two weeks after resumption of selling in January, the average was \$20.05. This raised the season average to \$18.48, but still compared unfavorably with the \$21.48 received last year. The upturn as compared with pre-Christmas prices was said to be mainly due to improvement in prices paid for lower grades.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	December 1939	% change from 1938	Jan.-Dec. 1939	% change from 1938
Bank Debits—24 cities.....	\$2,843,000	+ 8.0	\$26,639,000	+ 8.0
Savings Deposits—end of month:				
40 banks, O. and W. Pa.....	\$ 787,460	+ 0.7	1	1
Life Insurance Sales:				
Ohio and Pa.....	\$ 76,038	-33.6	912,715	+ 7.1
Retail Sales:				
Dept. Stores—53 firms.....	\$ 41,278	+ 8.1	252,458	+ 8.2
Wearing Apparel—13 firms.....	\$ 1,386	+ 2.0	10,740	+ 4.0
Furniture—39 firms.....	\$ 1,109	+15.2	9,805	+16.4
Building Contracts—Total.....	\$ 29,750	-26.0	376,011	+18.1
—Residential.....	\$ 11,815	+12.8	144,090	+53.0
Commercial Failures—Liabilities.....	\$ 633	-34.1	12,634	-32.0
—Number.....	35 ²	-38.6	747 ²	-22.5
Production:				
Pig Iron—U. S..... tons	3,768	+70.3	31,527	+66.9
Steel Ingot—U. S..... tons	5,164	+64.9	45,769	+65.0
Auto—Passenger Car—U. S.....	373,755 ²	+14.6	2,866,724 ²	+43.3
Auto—Trucks—U. S.....	78,269 ²	+25.6	710,334 ²	+45.5
Bituminous Coal, O., W. Pa., E. Ky..... tons	14,196	+ 9.3	144,708	+14.5
Cement—O. W. Pa., W. Va. bbls.	658	+22.8	11,278	+19.8
Elec. Power, O., Pa., Ky., thous..... k.w.h.	1,891 ³	+15.9	18,327 ⁴	+11.8
Petroleum—O., Pa., Ky..... bbls.	2,264 ⁵	+ 8.4	23,831 ⁴	- 2.2
Shoes..... pairs	5	+ 1.7	5	+ 9.7
Tires, U. S..... casings	4,479	- 7.0	57,078	+39.5
Bituminous Coal Shipments:				
L. E. Ports..... tons	926	+110.9	41,123	+17.1

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

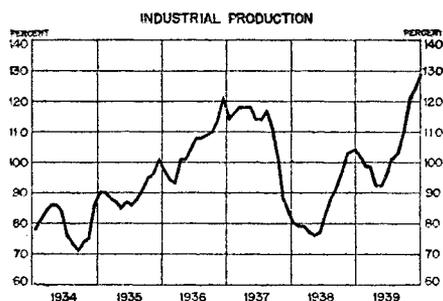
Debits to Individual Accounts

(Thousands of Dollars)

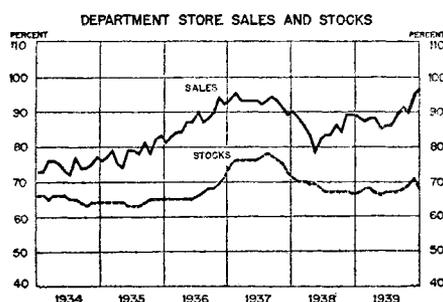
	4 Weeks ended Jan. 24, 1940	% change from 1939	Year 1939		% change from 1938
			Year 1938 (Dec. 29, 1938)	Year 1937 (Dec. 30, 1937)	
Akron.....	69,344	+16.5	798,728	687,672	+16.1
Butler.....	9,656	+19.6	110,105	100,027	+10.1
Canton.....	36,645	+18.6	423,941	360,445	+17.6
Cincinnati.....	314,519	+5.6	3,836,142	3,607,506	+6.3
Cleveland.....	609,843	+11.4	6,778,998	6,014,141	+12.7
Columbus.....	154,108	+5.4	2,061,789	1,935,722	+6.5
Dayton.....	67,380	+13.1	760,574	721,110	+5.5
Erie.....	28,012	+16.3	321,720	299,458	+7.4
Franklin.....	3,236	+33.3	34,120	34,552	-1.3
Greensburg.....	8,971	+40.7	82,468	79,987	+3.1
Hamilton.....	10,582	+10.9	129,539	123,955	+4.5
Homestead.....	3,039	+15.8	37,914	34,132	+11.1
Lexington.....	37,893	-11.0	281,176	283,981	-1.0
Lima.....	16,242	+25.1	164,133	163,368	+0.5
Lorain.....	4,722	+11.4	60,987	54,351	+12.2
Middletown.....	11,993	+37.5	129,559	105,839	+22.4
Oil City.....	11,334	+27.7	118,426	112,132	+5.6
Pittsburgh.....	674,551	+14.9	7,659,314	7,318,754	+4.7
Sharon.....	7,977	+12.8	98,031	88,963	+10.2
Springfield.....	15,493	- 0.3	200,791	191,418	+4.9
Steubenville.....	8,994	+17.4	115,516	101,767	+13.5
Toledo.....	120,983	+11.1	1,440,661	1,334,465	+8.0
Warren.....	9,821	+19.6	118,612	97,761	+21.3
Wheeling.....	27,574	+3.3	350,105	324,701	+7.8
Youngstown.....	52,918	+38.3	563,031	470,178	+19.7
Zanesville.....	8,370	+8.9	98,212	89,613	+9.6
Total.....	2,324,210	+11.8	26,774,592	24,735,998	+8.2

Summary of National Business Conditions

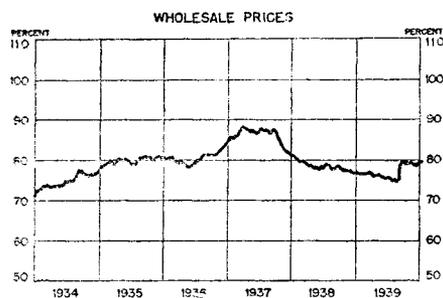
By the Board of Governors of the Federal Reserve System



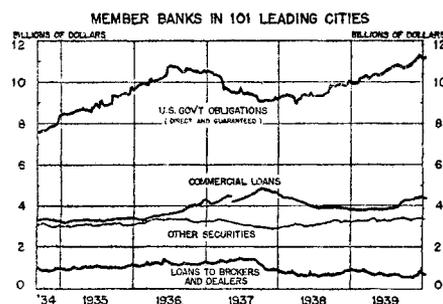
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to December 1939. Latest figure—128.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to December 1939. Latest figures—sales—96, stocks—68.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending January 13, 1940. Latest figure—79.5.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934 to January 13, 1940. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

Industrial activity, after a rapid rise in recent months, declined less than seasonally in December. In the first half of January activity did not show the usual seasonal increase. Distribution of commodities to consumers was maintained in large volume.

Production

Industrial output decreased in December, but by a smaller amount than is usual at this season, with the consequence that the Board's index, which allows for usual seasonal variations, advanced further from 124 to 128 per cent of the 1923-1925 average. As in other recent months, the rise in the index continued to reflect mainly increased activity in industries producing durable goods. Automobile production rose sharply in December owing to the reopening of plants of one large producer which had been closed for almost two months. Plate glass production also increased. At steel mills activity was maintained near the high level that prevailed in October and November; fourth quarter production of steel ingots was greater than in any other three-month period on record. Output of zinc and deliveries of tin continued to increase in December, and lumber production declined less than seasonally.

In the nondurable goods industries, where production had been at high levels throughout the autumn, changes in output in December were largely seasonal in character. At woolen textile mills, however, there was a considerable reduction in activity, and activity at silk mills declined to a low level, reflecting in part continued high prices of raw silk. Output of crude petroleum continued at a high rate in December, while coal production was reduced, following a large volume of output in the two preceding months.

In the first half of January steel ingot production was at a somewhat lower level than in December, while automobile assemblies were maintained at about the same high rate as in the previous month.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in December, owing to the inclusion in the December figures of a large amount for a dam under construction by the Tennessee Valley Authority. Contracts for private building, both residential and nonresidential, declined seasonally.

Employment

According to reports from leading industrial States, factory employment decreased less than seasonally in December and pay rolls showed a further advance.

Distribution

Distribution of commodities to consumers increased further in December. Sales at variety stores showed about the usual sharp rise and sales at department stores and mail-order houses increased more than seasonally.

Freight-car loadings declined by more than the usual seasonal amount from November to December, reflecting chiefly a further reduction in coal shipments and a decrease in loadings of ore, which had been at a high level in the previous month.

Commodity Prices

Prices of wheat, which had advanced sharply early in December and continued at the higher level during the rest of the month, declined considerably in the first half of January. Smaller decreases occurred in some other commodities, including hides, tin, and zinc. Prices of most other basic commodities, such as cotton, wool, lead, and steel scrap, showed little change.

Government Security Market

Prices of United States Government securities continued to advance during December and were steady during the first two weeks of January.

Bank Credit

Total loans and investments of reporting member banks in 101 leading cities declined in the four weeks ending January 10, following an increase during the first half of December. These changes reflected largely a temporary rise and a subsequent decline in loans to security brokers and dealers in connection with the Government's flotation of a new issue of bonds. Total holdings of United States Government obligations at city banks showed little net change during the period.

As a result chiefly of further increases in gold stock as well as the post-holiday return of currency from circulation, excess reserves of member banks increased sharply in the four weeks ending January 10.