

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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Manufacturing activity in the Fourth Federal Reserve District has remained at relatively high levels during a time of year when vacation closings and other seasonal factors usually curtail industrial production. Increased Government spending for national defense projects has been reflected chiefly in operations at metal-working plants, including both those producing raw materials and those fabricating highly-specialized equipment of various kinds. Order backlogs of such industries as machine tools, electrical equipment, foundry equipment, and steel continued to increase during July and August. As the scope of preparedness preparations has widened, other industries have been benefited directly and indirectly.

Chiefly as a result of brisk demand for raw steel, heavy plates, and structurals, a good share of which has been taken by foreign countries, but much of which has gone into domestic channels, steel operations have been increased to above 90 percent of rated ingot capacity. Not since the summer of 1929 has the industry maintained production so near the practical limits of capacity during hot weather.

Buying of flat-rolled products has not kept pace with that for heavy steels since the automobile industry has not ordered heavily for new model requirements. With most manufacturers assembling 1941 cars by the middle of August, the volume of orders for steel was expected to increase materially. Parts makers and plate glass manufacturers were scheduled to start volume shipments to the automobile companies late in August after the low point of assemblies was passed the second week of the month, one week earlier than last year.

Retail deliveries of new cars were practically unchanged from June to July, being the largest for this time of year since 1929, in some cases. Sales declined rather sharply during the first twenty days of August as dealers' stocks were reduced to near usual size for the end of a model year.

After minimum at-the-mine prices and marketing rules under the Guffey Act were postponed again, national bituminous coal production in mid-August exceeded 8,750,000 net tons weekly as more retail dealers and industrial consumers sought to obtain winter requirements. On July 1, the latest date for which information is available, stocks of bituminous coal in the hands of commercial consumers and retailers were the largest for that date since 1927, exceeding even the inventories of July 1, 1937, by a small amount.

Although only a comparatively few concerns in the other manufacturing classification have participated heavily in direct Government orders for defense, an increasing volume of indirect new business during the latter part of July and early August was reported by many companies. In several industries, notably shoes, rayon, and paint, production last month did not show the usual seasonal decline. Large unfilled order backlogs of some companies warranted continuation of work schedules during August.

The July index of Ohio employment, based on *Bureau of Labor Statistics* data, was unchanged from that of the previous month and eight points above that of a year ago. At 95, the index was the highest for July since 1937; in July 1936, the index stood at 96. Ohio payrolls last month were down 1.6 percent from those of June. This fact, together with unseasonable summer weather during July, possibly accounted for the greater-than-seasonal decline reported in fourth district retail sales last month.

Farm crops in many sections of this district suffered from drought during July and the first part of August; deterioration was most evident in the corn, tobacco, and field-grown vegetable crops. The indicated yield for wheat was somewhat above both that of last year and the ten-year average, but some of the crop was reported to be of poorer quality than usual. Wheat prices fell sharply in mid-August when considerable grain was moving to market. Subsequently, there was some improvement.

Cash income of farmers was eight percent higher during the first half of this year than it was for the same period of 1939. However, the margin of gain reported from month to month has been narrowing.



### FINANCIAL

**Member Bank Credit** Investment policy of many member banks in this district was changed somewhat during the five weeks ended August 21, at least temporarily. Participating in the purchase of \$600,000,000 of new money Treasury bonds and \$300,000,000 of Commodity Credit Corporation notes, member banks added sizable amounts of Government and Government-guaranteed securities to their portfolios for the first time this year. Holdings of other securities were reduced only slightly during the period with the result that on August 21 total investments were more than \$20,000,000 greater than those reported five weeks earlier.

Total loan activity continued to expand slowly during the latest period with rather large amounts of commercial, industrial, and agricultural loans being made in early August. Previous to that time, old loans had been paid off more rapidly than new loans had been made. Some banks received customer inquiries for funds that might be needed should bids be accepted on national preparedness program work. Few loans made so far have been definitely attributable to war or defense work; however, many loans cannot be classified easily.

Although total commercial loans of banks in this district in mid-August were at the highest level since early 1938, loanable funds at these banks continued to expand. On July 31, member bank reserve balances held at the Federal Reserve Bank of Cleveland were \$465,000,000 in excess of requirements, the largest ever reported. Total reserves were 121 percent greater than required. Balances of reserve city banks were 132 percent in excess of requirements; those of country banks, 86 percent. Member bank reserves at this bank were reduced slightly during the first part of August, when banks were purchasing new Government bonds.

**Federal Reserve Bank Credit** Earning assets of the Federal Reserve Bank of Cleveland remained practically unchanged during the five-week period ended August 21. Small changes in bills discounted and industrial advances were noted, but the increases were nominal. Holdings of Government securities were reduced about \$400,000 as a small quantity of securities was sold from the System's open market account.

Federal Reserve note circulation increased further this month, to another all-time high level. With \$8,000,000 added during the latest five weeks, circulation on August 21 was \$487,000,000. A year ago note circulation was \$429,000,000. Part of the recent increase can be attributed to greater business activity, which requires additional funds to carry on the larger volume of trade, but other factors which are immeasurable and difficult to segregate have contributed to the rise.

### MANUFACTURING, MINING

**Iron and Steel** Steel ingot production during July was one percent larger than that of the previous month although the operating rate reported by the *American Iron and Steel Institute* declined to 83.4 percent of capacity from 85 percent. Enlargement of some open hearth furnaces and rehabilitation of others that had not been used recently increased the rated capacity of the industry slightly. Last month, 5,595,070 net tons of open hearth and Bessemer steel ingots were made;

this compared with June output of 5,532,910 tons. Operating at 52.7 percent of capacity during July 1939, the industry at that time produced 3,564,827 tons of ingots.

Recovering immediately after the early July shutdown, steel operations late last month and early in August increased to the highest weekly levels reported since December despite the fact that several large producers closed for company-wide vacations. During the third week of this month, national production was reported to be 90.5 percent of rated ingot capacity.

Since chief demand has been for heavier grades of steel, operations throughout the industry have varied considerably. Some producers were said to be running open hearth furnaces in excess of theoretical capacity while others, principally sheet and strip manufacturers, were operating at 60-70 percent. Many users of flat-rolled products covered future requirements during the price concession days of April with the result that, as these orders were filled and backlogs reduced, sheet and strip producers curtailed operations. Demand from both automobile and refrigeration manufacturers picked up somewhat in August as volume work on 1941 models was started. Since both of these industries have planned large production for the remainder of the year, steelmakers anticipated an increasing volume of orders from these sources. Railroad purchases of rolling stock so far this year have been the largest since 1937, and fall requirements, particularly for rails, were reportedly large. Government purchases of structurals and heavy plates for use in national defense projects have become increasingly important factors in maintaining operations at heavy steel producing plants. Together with greater private requirements for industrial expansion, these have caused some delays on deliveries, principally of heat-treated and special alloy bars, shapes, and plates.

Five additional blast furnaces in the fourth district were blown in during July, leaving only 36 stacks idle out of a total of 189. National coke pig iron production consequently was three percent larger than that of June. Last month 4,058,488 net tons were cast, whereas production a year ago was 2,639,000 tons. Some shortages of coke have been reported, but supplies from beehive ovens have met the open-market demand. Three thousand more ovens in Western Pennsylvania were said to be in operation this year than last.

More than 10,000,000 gross tons of Lake Superior iron ore were brought down the Great Lakes during July, the largest amount for any month since August 1937. Last month's movement of 10,433,488 tons was 65 percent greater than that of a year ago. Shipments during the first week of August slowed down somewhat, but before the middle of the month another ore vessel was commissioned. With 99.6 percent of the ore fleet in operation, the trade expected shipments this month to be approximately as large as those of July.

Consumption of Lake Superior iron ore during July was the largest for any month since December; 5,493,961 gross tons were used. During June 5,213,000 tons were consumed, and 3,143,000 tons were used in July 1939. On August 1 iron ore stocks at furnaces and on Lake Erie docks totaled 28,128,054 tons, one-fifth larger than those thirty days earlier, but 1.5 percent smaller than inventories held a year ago.

Approximately as much steelmaking scrap was used during July as during January. Last month's consumption

was 3,526,000 gross tons; a year ago 2,247,000 tons were consumed.

After declining for several weeks, steelmaking scrap prices moved upward when several railroads sold No. 1 rail scrap at a considerable premium. *Steel* magazine's average of steelworks scrap dropped from \$18.83 per ton to \$18.17 during July; by the third week in August the loss had been regained. The composite, however, was then nearly \$1 under the high of \$19.75 per ton reported late in June.

Operations at fourth district steel mills during July and August varied widely. Since early July, plants in the Wheeling area have been operating at 94-99 percent of capacity. Pittsburgh and Youngstown operations have been near 80-85 percent. The rate at Cleveland mills has increased from 63 to 86 percent, while in the Cincinnati section, operations have declined from 89 to 78 percent.

### Coal

In mid-August, the Secretary of the Interior announced that the effective date for minimum bituminous coal prices and marketing regulations under the Guffey Act would again be postponed from September 3 to October 1 in order to allow more time for filing exceptions. Price schedules for all producing districts had been promulgated early in August with the understanding that they would be enforced after Labor Day. Postponement of the schedules until October was expected further to delay buying by retail dealers who have not made their contracts for winter coverage.

Industrial stock piles had been built up earlier in the season in anticipation of probable higher prices. On July 1, when they represented 43 days' supply at current rates of consumption, they were 52 percent larger than those of a year ago. Many consumers were reported to be experimenting with lower-priced grades of coal than formerly had been used in an effort to keep down power costs.

July movement of coal from Lake Erie ports declined to 7,078,743 net tons from more than 7,250,000 tons in June and 7,750,000 tons in May; during July 1939, 6,500,000 tons were shipped north. Most wholesalers reported few new orders from the lake trade since train shipments were somewhat hampered by congestion of cars at Lake Erie ports early in August.

Under the proposed minimum mine prices, most prices at mines in producing districts 2, 4, 6, and 8—those included in the Fourth Federal Reserve District—have not been changed much from the tentative rates announced this spring. For every grade of coal produced at individual mines in each dis-

trict and which moves to market by a different method of transportation, a separate price has been established. In the 2000-odd bituminous mines of the fourth district, 16 grades of coal are produced; these are shipped to market by seven means of transportation. Proposed at-the-mine minimum prices range from \$1.23 per net ton, railroad weight, for low-grade high volatile coals from Western Pennsylvania moving on river barges to \$3.45 per ton for low volatile smokeless coals from Eastern Kentucky, shipped by all-rail routes.

Bituminous coal production at fourth district mines last month increased sharply against the usual seasonal trend. Output, at 14,810,000 net tons, was the largest for any month since January, and not since 1930 had more coal been mined during July. Production was 11.2 percent above that of June; a year ago, output was 11,553,000 tons.

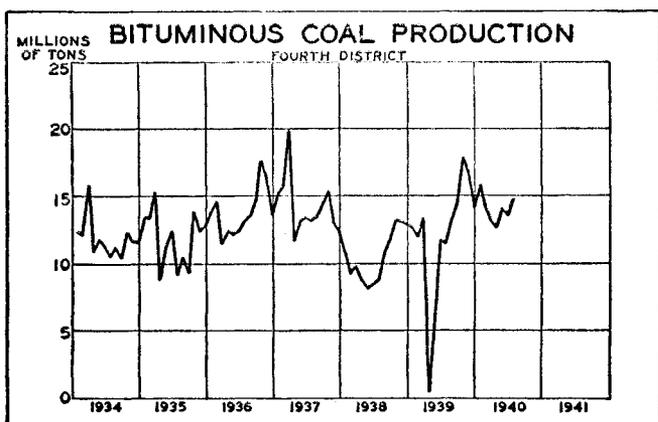
### Automobiles

Production in the automobile industry reached what probably will be the low point of the year early in August as most manufacturers ceased assemblies of 1940 model cars. Some makers curtailed output during July, and additional production lines were closed early this month. By the third week of August, only one manufacturer was reported to be continuing work on current model trucks. At least three of the five volume producers were assembling 1941 cars by that time, and two other makers had introduced new lines to the public. Mid-August advices from plate glass makers and automotive parts suppliers stated that volume releases on 1941 work were expected late in the month. Incoming orders of parts manufacturers were said to be substantially above those of a year ago, indicating that automobile makers anticipated a continuation of the brisk consumer demand that had been noted all summer. Employment in the parts industry expanded considerably during early August when first shipments were made against 1941 contracts. Most companies reportedly had added to inventories of both raw materials and finished goods held awaiting shipping releases.

According to the *Department of Commerce*, 231,703 passenger cars, trucks, busses, and road tractors came off assembly lines last month; 345,000 were produced in June, and 209,000, in July 1939. Passenger car production during July amounted to 73 percent of the total; in previous months it had accounted for 80-85 percent of all assemblies. Truck assemblies, therefore, increased in importance last month. For the year to date, truck production was only 5.8 percent above that of the first seven months of 1939 while passenger car assemblies were 26.7 percent larger than those of a year ago.

As reported by *R. L. Polk and Company*, deliveries last month were 315,000, down slightly from June, but 37 percent ahead of last year. July registrations in eight major Ohio counties were 13,016, eight percent fewer than those of the previous month, but 54 percent more than those of a year earlier. New car sales fell rather sharply during the first twenty days of August as some shortages of specific models were reported by dealers.

With retail deliveries considerably in excess of new car assemblies, inventories on dealers' floors, in transit, and in warehouses were reduced somewhat last month. Trade observers estimated stocks to be approximately 300,000 on July 31. Not since 1933, except possibly in 1938, had inventories on that date been smaller, it was stated.



**Rubber,  
Tires**

Manufacturers' shipments of replacement tires last month fell sharply from the near-record high reported in June when many dealers stocked up heavily against slightly higher prices resulting from increased United States excise taxes which were effective July 1. Deliveries to automobile manufacturers also were smaller than those of the previous month. Some companies which have been developing special heavy duty tires for the Government reported a continued large demand from that source during August.

Although crude rubber consumption increased from 46,506 gross tons during June to 47,011 tons in July, production of new casings fell below 5,000,000 for the first time since February. With both production and shipments lower than during any other recent month, manufacturers' inventories remained at less than 9,000,000 casings, practically unchanged from those reported thirty days earlier.

Imports of crude rubber during July at 69,474 tons, were the largest since April and more than 1¾ times those of a year ago. Consequently, stocks in the United States increased 13 percent last month. On July 31 they were 15 percent greater than those of the previous year. Included in the total of 190,222 tons were approximately 34,000 tons brought to the United States under terms of the Anglo-American rubber-cotton barter agreement. Until August 1, no supplies for the Rubber Reserve Company had arrived in this country, although contracts for rather large quantities had been consummated.

Exceeding the all-time record reported at the end of the previous month by 17 percent, stocks afloat to the United States on July 31 were 139,629 tons, more than 2½ times those of a year ago.

Demand for mechanical rubber goods improved somewhat during late July and early August. Some work was being done on items to be used in domestic preparedness, but the volume of inquiries continued to be larger than the number of orders booked.

**Textiles and  
Clothing**

Several fourth district weavers in mid-summer obtained additional business, chiefly from women's wear manufacturers, which had not been anticipated. Together with Government orders, this work enabled production to continue at a good rate throughout the hot weather. With both the Army and Navy insisting on prompt deliveries, considerable loom capacity has been devoted exclusively to this business. Work on regular lines of fall merchandise has continued somewhat later than in previous years, with some mills holding orders which will maintain operations at a fair rate until the end of September. By that time new spring lines will be opened to the trade. Those manufacturers who already have started work on the new season have announced slightly higher prices on tropical worsteds and gabardines; otherwise the price structure has remained firm.

Workers were recalled by textile and needlework firms during July as production was started on orders for fall merchandise presented at style center showings. Employment in eleven Cleveland shops last month increased nine percent from that of June, to reach the highest summer level in five years.

Retailer buying of medium-and high-priced women's and misses' suits and coats was dull during late July and early

August, according to trade reports. Demand for low-priced goods also was less active. Most merchandising executives seemed inclined toward conservatism pending an opportunity of testing consumer response to early season offerings.

In mid-August, manufacturers of full seasonal lines of men's wear reported continuation of production and shipment of orders for fall merchandise taken late in the spring. Some shops stated that this business would sustain operations near capacity for another month or six weeks. Fill-in orders for seasonal merchandise were not large since consumer demands have varied greatly. No general price advances on fall lines had been announced.

Production of cotton overalls and rough work garments last month outstripped the volume of incoming orders since most retailers deferred fall buying somewhat. Whatever business had been placed was for small lots. Few national preparedness program orders have been received.

**Other****Manufacturing**

Although conditions in the other manufacturing lines varied somewhat during July and early August, Government orders under the national defense program were beginning directly and indirectly to stimulate business and industry throughout this region. Customers were buying cautiously, but there were some evidences that inventories were being built up with the result that many industries in mid-August reported a greater volume of new orders.

Operations in the machine tool industry were affected during July as most producers closed for company-wide vacation periods. The shutdowns were only temporary, and early in August work was resumed at pre-closing rates. Although sizable backlogs of foreign orders remained unfilled, domestic business appeared to be an increasingly important factor. According to the *National Machine Tool Builders' Association*, the industry's index of operations stood at 88.3 percent of capacity during July as compared with 92.3 percent in the previous month. However, the capacity index, which is measured in terms of payroll hours, has increased every month since September 1939; last month it was 30 percent higher than ten months earlier and two percent larger than in June.

Little export business was reported this month by small tool makers although some backlogs of foreign orders remained unfilled. Domestic business was said to be confined to orders from concerns which in turn were heavy suppliers of Government needs; few direct Government orders have been booked. Production appeared closely related to incoming sales volume.

Improvement was noted during July in the electrical motor and equipment industry as new order volume increased considerably, with several manufacturers reporting incoming business in excess of production capacity.

Forging and heavy hardware companies in mid-August reported considerable improvement in the volume of incoming orders. Prices for forgings had been low earlier in the season, but the trade anticipated some strengthening of the price structure with the increased amount of business absorbing production facilities. Foundry equipment sales were up sharply during July.

Experience of office furniture and machine manufacturers last month was varied. Sales of furniture makers fell more than expected from June to July, but early August business was encouraging. New orders by the mid-

dle of the month were slightly in excess of production, Manufacturers of office machines and printed business forms reported July business to be considerably above that of a year previous.

Production of plate glass declined 13 percent from June to July as 1940 model assemblies of many automobile manufacturers were discontinued. Last month's output of 8,522,000 square feet of plate glass compared with 9,783,000 square feet in June and 6,212,000 square feet in July 1939. Some manufacturers continued to build inventories last month while others maintained production on the basis of current orders. Sales to furniture manufacturers were better than had been expected, and deliveries to jobbers were larger than usual.

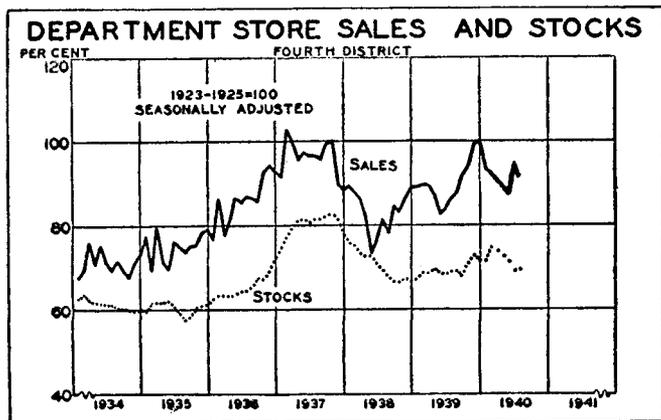
Window glass production increased from 908,000 boxes in June to 994,000 boxes in July; a year ago output was 690,000 boxes. Most manufacturers were reported carrying only small inventories on August 1, and the trade expected operations to be stepped up somewhat this month. Shipments to sash and door firms were said to be better than ordinary for this season, offsetting, to some extent, the decline in jobbing house buying.

With the canning season near its height, glass container plants early in August were maintaining the high rates of operation reported in June. Several manufacturers in this district were working on Government orders, and this type of business was expected to increase. There appeared to be no shortage of skilled labor.

A good part of vitreous china manufacturing facilities early in August was devoted to Government business under the preparedness program, and some companies were planning to increase kiln capacity. A new two-year contract, to replace the present one which expires October 1, was to be negotiated between manufacturers and pottery workers late in August.

Since most merchants and printers had built up stocks before the price increases of June, fine paper production last month was confined largely to manufacture against backlogs. Few new inquiries were reported and order volume slumped rather sharply from the previous month.

Operations in the paperboard industry continued near 75 percent of capacity during July and early August. Backlogs of unfilled orders had declined weekly until the middle of the month when they were about the size of those held in mid-April. Buying for the fall and Christmas season did not begin until late in August. Although the prices on raw materials remained unchanged, some weakness in the finished goods' price structure was noted last month.



Shoe production in fourth district factories increased more than seasonally during July, although output failed to equal that of a year ago. Most work was on lines of fall merchandise ordered by retailers during June when new lines were first presented. Factory operations were curtailed by some makers early in August as this work was completed. Salesmen were scheduled to make second trips shortly after Labor Day. Retailers have bought cautiously, awaiting seasonable fall weather; consequently, some manufacturers expected good fill-in business only if September and October are cool months.

Several rayon manufacturers were said to have oversold their July production with the result that supplies of certain grades were limited. Demand for fine gauge threads was brisk although August bookings called for practically all types. Inquiries for yarn have been received from Latin American mills cut off from usual sources by the European war. Few supplies have been available to meet this demand since August orders have been heavy.

Paint sales for July did not show the usual decline from those of June, and they were well ahead of last year. The large volume of residential building and the increasing amount of industrial construction has strengthened the demand for paint materials considerably.

Seasonably hot weather during July and early August stimulated operations at beverage bottling plants in the fourth district after they had declined during June. Trade reports stated that for the first seven months, business was slightly better this year than last.

## TRADE

### Retail

Most lines of retail trade experienced seasonal dullness during July and early August, but sales generally were considerably better than those of a year earlier. Trade at 52 department stores in leading cities of the fourth district declined more than seasonally last month, although dollar volume was one-eighth greater than that of July 1939. Wearing apparel shops sold three percent more merchandise this July than last, while furniture and house furnishings stores did 23 percent more business. Chain grocery sales per individual unit operated were up one-tenth; those of chain drug companies, also computed per individual store operated, showed a 16 percent gain.

Failure of sales to advance seasonally during July resulted in less than seasonal reductions of stocks at department stores and wearing apparel shops. In both cases, inventories were larger than they were twelve months earlier.

Although collections last month were not so good as those of June, accounts receivable of the district's department stores, apparel shops, and furniture stores were reduced considerably during July. At department stores, collections on both 30-day accounts and instalment accounts were larger than those of June 1939; at wearing apparel shops and furniture stores they were slightly less.

During the first three weeks of August, dollar sales at department stores continued to show gains of more than ten percent over those of the corresponding weeks a year earlier.

### Wholesale

Seasonal factors also cut the volume of wholesale trade in the fourth district during July. The gain of 15.5 percent over sales volume of July last year, however, was slightly larger than the increases reported in previous months;

consequently, the cumulative gain for the first seven months of this year over the corresponding period of 1939 rose to 10.3 percent.

Wholesale commodity prices declined almost continuously during July and early August when they reached the lowest levels since before the outbreak of war last September. Declines were noted principally in the farm products, foods, hides and leather products, and miscellaneous groupings.

July sales at 170 firms in principal trading centers of the district were down slightly from those of the previous month, but they were 17.7 percent larger than those of July 1939. Increases over sales during June were reported by 29 firms in Southwestern Ohio.

Wholesale stocks at the end of July were one percent larger than those a month before and seven percent greater than those of July 31, 1939.

### CONSTRUCTION

Construction contract awards in the fourth district last month were valued at \$36,752,000, down fractionally from June volume and approximately three percent smaller than those of July 1939. Local experience was contrary to that throughout the nation. Contracts awarded in 37 Eastern states, as reported by *F. W. Dodge Corporation*, increased 23 percent from June to July when they were one-third larger than those of the same month a year ago. Much of the national gain last month resulted from large public ownership awards which accounted for more than half total construction value. Start of work on additional power plants, Army and Navy air bases, and military encampments was evident. Government spending on such projects under the preparedness program continued large early in August although gains over corresponding weeks last year were not so marked as they were during July.

Volume of public ownership building in fourth district areas during July declined sharply from that of the previous month and of a year ago, although United States Housing Authority contracts approximating \$2,500,000 were awarded for projects in Dayton and Portsmouth, Ohio. Private construction awards were the largest for any month in recent years, with the exception of May 1940.

Residential building accounted for nearly half of all construction work in the fourth district last month; contracts totaling \$18,087,000 were awarded, the most for any July in twelve years. More dwellings were started last month than during any other month since April 1929 with the exception of June 1938 and June 1939. One-third of this construction was speculative building of two-family houses and one-family dwellings for sale or rent; less than half was of single houses for owner occupancy. Fewer awards were made for apartment buildings last month than during June or a year ago.

During July \$18,665,000 of non-residential construction contracts were awarded in the fourth district, 37.5 percent more than in the previous month, but 23.7 percent fewer than in the same month last year. Factory building accounted for approximately two-fifths of this type construction, indicating some expansion of manufacturing facilities. Last month's awards were more than twice those of June and nearly eight times those of July 1939; not since December 1937 had so much factory construction been started. Several plant expansion and modernization programs have been announced by fourth district industries

preparing for defense program work, but few sizable private projects were included in total contemplated construction. However, there were indications that Government building in the immediate future would be heavy. A \$92,000,000 airplane motor factory will be built in Hamilton County near Cincinnati; the plant is scheduled to be in operation before 1942. In mid-August the War Department confirmed reports that a shell-filling plant would be erected on a 16,000 acre tract southeast of Cleveland.

Lumber prices advanced rather sharply during July and early August, especially on yellow pine produced in Southern states. At the middle of the month, wholesale lumber companies reported an active demand from both retail dealers and industrial users. The latter were said to be anticipating their needs to a greater extent than previously. New orders of wholesalers appeared to be somewhat ahead of shipments, thus permitting the building of backlogs for the first time this year.

### AGRICULTURE

Extreme heat throughout most areas of the Fourth Federal Reserve District and lack of rain, particularly in Northern Kentucky and Southern and Central Ohio counties, during July and early August adversely affected late grain and field-grown vegetables, although reports covering wheat and other early-harvested cereal grains improved somewhat. Deterioration in planted acreage was most marked in the corn and tobacco crops, both of which were badly fired since precipitation in all parts of the district was considerably below average. Pastures were very dry, ranging from poor to fair in several of the chief dairy regions. Some feeding of winter forage to milk herds was reported late in July, but the practice did not appear to be widespread. Seventeen percent fewer stocker and feeder cattle for market were held on Ohio farms at the beginning of August than a year ago, after good prices brought many cattle and sheep to market during June and the first part of July. This was the first time since 1937 that the estimated number of cattle on feed was smaller than that of a year earlier.

In some sections of this district, field labor was reported to be scarce. Farm employment in fourth district States at the beginning of July was somewhat smaller than that of the month previous and of a year ago.

**Wheat** Bulk of the fourth district wheat crop was threshed by late July; some of the grain was reported to be of poorer quality than usual, due to scab and blight. Yields varied considerably between different sections, but the Ohio state-wide average for winter wheat was estimated at 22 bushels per acre by the August 1 *Department of Agriculture Crop Report*. This compared with a 19.5 bushel average last year and an average of 20.4 bushels during the ten years 1929-38.

Wheat prices during the second week in August dropped to the lowest levels in more than a year as a result of a broad selling wave in most grain markets. The break was the worst since May when minimum prices were established on most grain exchanges at the suggestion of the Secretary of Agriculture. Late in August, there was some recovery.

**Oats** The fourth district oat crop on August 1 was estimated as the best since 1938. Yields as high as 65 and 70 bushels per acre were reported in several sections. An average yield of 39 bushels per acre was indicated for Ohio where

the ten-year average was only 30.4 bushels and the 1939 crop averaged 32.5 bushels.

**Corn** Corn deteriorated considerably during July due to drought conditions in most parts of the district. According to the August 1 *Crop Report*, this district's 1940 crop might be more than 20 percent smaller than last year's near-record harvest; total United States production was estimated to be about 22 percent short of that of a year ago. Even in the local area, crop prospects at the first of the month were very uneven due to wide variations in planting dates as well as to quantities and timeliness of rainfall. Much of the corn was "fired" and "silk-burned" despite the fact that 75 percent of Ohio acreage was planted to hybrid corns, most of which are drought resistant.

**Tobacco** Like corn, tobacco suffered greatly from the heat and lack of rain. On August 1, the fourth district crop was estimated to be 14 percent smaller than that of 1939 when it was near-average size. Development of the crop has been irregular since planting time varied greatly; some of the late-set acreage has been abandoned. Cutting of early-planted Kentucky tobaccos which had bloomed out and were "burned" badly was reported in mid-August.

**Potatoes** According to the August 1 *Crop Report*, prospects for potatoes improved slightly during July, although this year's crop was estimated to be somewhat smaller than the 1939 one. In the Ohio River sections, yields and

quality of early diggings were above average. To date, late potatoes apparently have suffered little.

**Vegetables** Extreme heat throughout most parts of the district last month caused some damage to practically all vegetable crops. Scattered showers during the first part of August brought some relief in a few areas, but early marketings were of poor quality.

**Debits to Individual Accounts**

(Thousands of Dollars)

	5 Weeks ended August 21, 1940	% change from 1939	Year to Date to Dec. 28, 1939	Year to Date to Dec. 29, 1938	% change from 1939
Akron.....	82,171	+18.3	558,717	495,982	+12.6
Butler.....	10,932	+10.0	76,572	67,648	+13.2
Canton.....	44,248	+18.3	303,268	260,748	+16.3
Cincinnati.....	359,146	+7.7	2,618,045	2,400,810	+9.0
Cleveland.....	719,151	+10.4	4,803,938	4,174,951	+15.1
Columbus.....	212,574	+12.5	1,439,525	1,305,672	+10.3
Dayton.....	77,137	+15.6	558,453	480,825	+16.1
Erie.....	35,907	+17.7	232,356	201,179	+15.5
Franklin.....	3,196	+4.6	24,809	20,916	+18.6
Greensburg.....	9,469	+28.4	62,187	50,916	+22.1
Hamilton.....	12,870	+18.7	90,496	81,164	+11.5
Homestead.....	4,409	+18.8	28,438	24,150	+17.8
Lexington.....	20,395	+0.3	187,703	181,832	+3.2
Lima.....	17,066	+21.8	114,777	99,997	+14.8
Lorain.....	6,409	+10.9	43,020	37,805	+13.8
Middletown.....	14,239	+17.6	94,510	78,705	+20.1
Oil City.....	10,983	+6.7	82,127	73,015	+12.5
Pittsburgh.....	815,306	+16.1	5,529,752	4,697,674	+17.7
Sharon.....	10,410	+14.6	67,590	60,497	+11.7
Springfield.....	19,281	+5.8	135,490	130,947	+3.5
Stuebenville.....	11,180	+5.2	78,890	70,371	+12.1
Toledo.....	141,339	+7.4	992,925	892,470	+11.3
Warren.....	12,808	+28.4	83,696	71,963	+16.3
Wheeling.....	34,189	+8.1	221,470	224,285	-1.3
Youngstown.....	59,966	+14.0	400,583	337,954	+18.5
Zanesville.....	10,139	+14.0	69,126	62,065	+11.4
Total.....	2,754,920	+12.4	18,898,463	16,584,541	+14.0

**Wholesale and Retail Trade**

(1940 compared with 1939)

DEPARTMENT STORES (52)	Percentage Increase or Decrease		
	SALES July 1940	SALES first 7 months 1940	STOCKS July 1940
Akron.....	+13.6	+7.5	+6.9
Cincinnati.....	+12.8	+8.3	+1.5
Cleveland.....	+9.9	+6.6	-1.0
Columbus.....	+11.6	+7.8	+12.4
Erie.....	+7.5	+8.5	+4.4
Pittsburgh.....	+17.0	+8.9	+0.5
Toledo.....	+5.3	+4.7	+7.4
Wheeling.....	+8.5	+2.3	+1.8
Other Cities.....	+15.2	+9.1	+6.8
District.....	+12.5	+7.6	+2.3
WEARING APPAREL (12)			
Cincinnati.....	+5.0	+1.3	-0.5
Cleveland.....	-5.0	-1.3	+5.3
Pittsburgh.....	+15.8	-0.8	+14.7
District.....	+3.0	-0.2	+5.4
FURNITURE (38)			
Cincinnati.....	+29.6	+8.2	
Cleveland.....	+26.3	+20.2	
Columbus.....	+10.7	+7.8	
Dayton.....	+11.2	+13.9	
Toledo.....	+4.4	+12.4	
Other Cities.....	+39.2	+24.9	
District.....	+22.9	+17.1	
CHAIN STORES*			
Drugs—District (5).....	+15.4	1	
Groceries—District (4).....	+9.0	+11.9	
WHOLESALE TRADE**			
Automotive Supplies (10).....	+28.9	+20.6	+1.2
Beer (8).....	+2.0	+5.0	+29.4
Clothing and Furnishings (5).....	+40.6	+1.9	1
Confectionery (4).....	-4.8	+0.3	1
Drugs and Drug Sundries (9).....	+5.9	+1.6	+12.4
Dry Goods (7).....	+20.7	+10.5	+0.4
Electrical Goods (14).....	+27.8	+19.1	+6.3
Fresh Fruits and Vegetables (7).....	+8.5	+2.0	+6.4
Furniture and House Furnishings (4).....	+40.2	1	1
Grocery Group (53).....	+10.4	+4.7	+7.8
Total Hardware Group (38).....	+24.1	+16.3	+9.2
General Hardware (9).....	+16.4	+9.7	+10.6
Heavy Hardware (3).....	+12.4	1	1
Industrial Supplies (13).....	+43.3	+27.5	+0.2
Plumbing and Heating Supplies (13).....	+36.7	+18.0	+4.7
Jewelry & Optical Goods (8).....	+28.4	1	+12.9
Leather and Shoe Findings (3).....	+15.4	1	1
Machinery, Equip. & Sup. (exc. Elect.) (3).....	0.0	1	1
Meats and Meat Products (6).....	+7.3	+8.1	+3.2
Paints and Varnishes (6).....	+19.2	+0.9	1
Paper and its Products (7).....	+36.6	+16.0	+32.8
Tobacco and its Products (15).....	+3.6	+4.0	+56.9
Miscellaneous (15).....	+16.5	+15.5	+0.4
District—All Wholesale Trade (222).....	+15.5	+10.3	+6.9

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

**Fourth District Business Indexes**

(1923-25 = 100)

	July 1940	July 1939	July 1938	July 1937	July 1936
Bank Debits (24 cities).....	92	80	73	99	89
Commercial Failures (Number).....	1	48	46	33	38
(Liabilities).....	1	21	43	30	20
Sales—Life Insurance (O. and Pa.).....	88	67	64	89	90
—Department Stores (48 firms).....	67	63	59	71	63
—Wholesale Drugs (9 firms).....	103	97	91	103	97
—Dry Goods (7 firms).....	39	32	27	43	43
—Groceries (53 firms).....	75	68	66	82	86
—Hardware (35 firms).....	87	71	61	95	83
—All (222 firms).....	74	64	60	79	78
—Chain Drugs (4 firms)**.....	105	90	90	99	90
Building Contracts (Total).....	77	79	44	115	59
(Residential).....	105	78	49	50	37
Production—Coal (O., W. Pa., E. Ky.).....	82	64	49	73	72
—Cement (O., W. Pa., E. Ky.).....	1	114	94	91	103
—Elec. Power (O., Pa., Ky.)*.....	209	188	166	188	172
—Petroleum (O., Pa., Ky.)*.....	109	119	119	131	122
—Shoes.....	113	124	100	116	118

1 Not available.  
 \* June.  
 \*\* Per individual unit operated.

**Fourth District Business Statistics**

(000 omitted)

Fourth District Unless Otherwise Specified	July 1940	% change from 1939	Jan.-July 1940	% change from 1939
Bank Debits—24 cities.....	\$ 2,506	+15.0	16,701	+15.0
Savings Deposits—end of month				
40 banks O. and W. Pa.....	\$ 782,622	+0.6	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 84,615	+30.4	560,604	+2.6
Retail Sales:				
Dept. Stores—52 firms.....	\$ 16,759	+12.5	141,482	+7.6
Wearing Apparel—12 firms.....	\$ 560	+2.9	5,385	-0.2
Furniture—38 firms.....	\$ 824	+22.8	6,195	+17.1
Building Contracts—Total.....	\$ 36,752	-2.8	210,528	-6.3
—Residential.....	\$ 18,087	+35.7	100,562	+19.5
Production:				
Pig Iron—U. S..... net tons	4,058	+53.8	25,107	+50.7
Steel Ingot—U. S..... net tons	5,595	+56.9	34,273	+39.8
Auto—Passenger Car—U. S.....	168,769 <sup>2</sup>	+12.0	2,196,199 <sup>2</sup>	+26.7
Auto—Trucks—U. S.....	62,934 <sup>2</sup>	+7.4	464,032 <sup>2</sup>	+5.8
Bituminous Coal, O., W. Pa., E. Ky..... net tons	14,810	+28.2	98,843	+45.3
Elec. Power, O., Pa., Ky..... Thous. k.w.h.	1,759 <sup>3</sup>	+11.2	11,003 <sup>4</sup>	+14.0
Petroleum—O., Pa., Ky..... bbls.	2,014 <sup>3</sup>	-8.7	13,110 <sup>4</sup>	+2.8
Shoes..... pairs	5	-8.5	5	-10.3
Bituminous Coal shipments:				
L. E. Ports..... net tons	7,079	+8.4	25,916	+80.0

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

## Summary of National Business Conditions

By the Board of Governors of the Federal Reserve System

Volume of industrial output was steady during July and the first half of August, after a rapid expansion in May and June. Employment continued to increase. Reflecting mainly awards for national defense projects, construction contracts rose to the highest level in ten years. Prices of basic commodities declined somewhat further.

### Production

In July the Board's revised index of industrial production stood at 121 per cent of the 1935-39 average, according to preliminary data. This is the same as in June and 17 points above the level prevailing a year ago before the outbreak of war. In most lines activity was maintained at the levels reached in June or increased further.

Steel production in July was at about 85 per cent of capacity and in the first half of August there was an increase to about 90 per cent. Production of pig iron and coke and output of nonferrous metals were also in large volume. In the machinery, shipbuilding, and aircraft industries, where new orders had been large during the first half of the year and a considerable backlog of unfilled orders had accumulated, activity was maintained at high levels in July, although ordinarily there are declines at this season. Lumber production declined sharply early in July but has subsequently increased accompanying a considerable rise in new orders.

In the automobile industry output declined sharply in July and the first half of August as plants were closed to prepare for the shift to new model production. The decline was greater than at this season in other recent years, reflecting the fact that production had been at high levels during the first half of 1940 and large stocks had accumulated. These stocks were reduced considerably in July as production was curtailed and retail sales continued large.

Textile production increased considerably further in July, reflecting chiefly a marked rise in activity at woolen mills where output is still below the levels of a year ago. Production of cotton and rayon textiles was maintained in July and was in larger volume than last summer, while activity at silk mills increased somewhat from the exceptionally low level reached in June. Shoe production increased seasonally, while output of manufactured foods, which in June had been unusually large for that time of year, showed less than the customary increase in July.

Coal production has risen further and shipments of iron ore down the Lakes have continued at near-capacity rates. Petroleum production has been curtailed sharply, however, reflecting partly a continued high level of stocks of petroleum products.

Value of new construction work undertaken increased sharply in July, owing mainly to a further rise in public construction, and was at the highest level in the past decade, according to reports of the *F. W. Dodge Corporation* and the Federal Reserve Bank of San Francisco. Awards for both residential and nonresidential private building increased somewhat, although some decline is usual at this season.

Increases were most pronounced in the Atlantic, Gulf, and Pacific Coast States, reflecting awards of additional contracts for naval air station and shipyard construction. In the central portions of the country there were generally small increases, although in some areas awards were lower.

### Distribution

Distribution of commodities to consumers was sustained in July at about the levels prevailing in the first half of the year. Sales at department stores declined more than seasonally, while sales at variety stores showed little change, although a decline is usual in July.

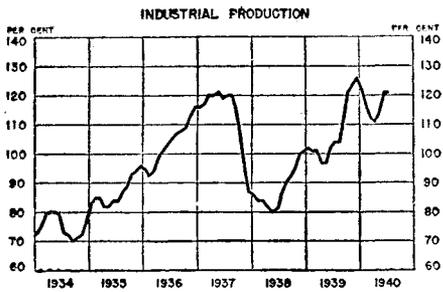
Total freight-car loadings increased seasonally in July. Shipments of grain showed a considerable rise and loadings of coal and coke continued to advance, while shipments of miscellaneous freight, which include most manufactured products, declined by somewhat more than the usual seasonal amount.

### Commodity Prices

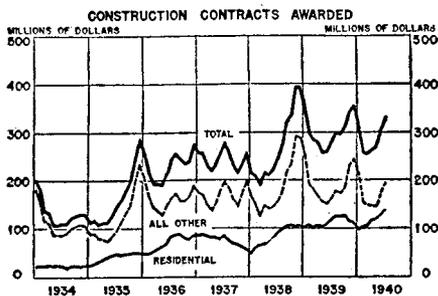
Prices of basic commodities declined somewhat further from the middle of July to the middle of August, with decreases chiefly in prices of commodities influenced by foreign supplies, such as lead, rubber, cocoa, and coffee. Prices of steel scrap and zinc, on the other hand, advanced somewhat in this period.

### Bank Credit

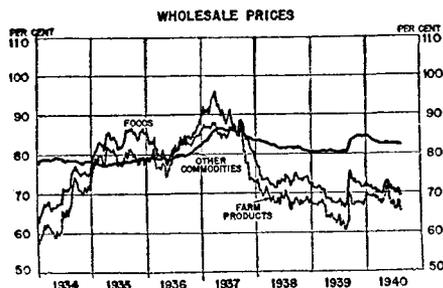
Total loans and investments at reporting member banks in 101 leading cities increased substantially during the five weeks ending August 14, owing mainly to purchases of direct and guaranteed securities newly issued by the United States Government. Sale of these securities caused a large increase in Treasury balances with the Federal Reserve Banks. As a result of this temporary development, excess reserves declined by \$450,000,000 in this period despite an increase of over \$500,000,000 in monetary gold stock.



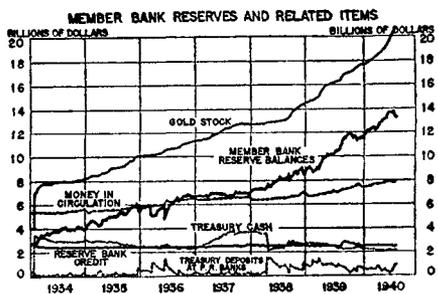
Index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1934 to July 1940. Latest figure—121.



Three-month moving averages of *F. W. Dodge Corporation* data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for May and June and estimate for July. Latest figures—Total 331.4; Residential 135.9; All other 195.6.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending August 10, 1940. Latest figures—Farm products 65.2; Foods 69.3; Other commodities 82.2



Wednesday figures, January 3, 1934, to August 7, 1940.