

MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 22

Cleveland, Ohio, September 30, 1940

No. 9

The circle of industrial activity in the Fourth Federal Reserve District widened during August and early September to include lines less directly dependent upon national preparedness program developments. Primary support of basic industries such as steel and machine tools continued to come from defense work, but increased demand for new-model automobile parts and accessories was responsible for greater employment in several cities of the district. Working forces at 100 Cleveland plants on August 27 were the largest in three years; 51 Toledo factories employed more men in the third week of September than at any other time since 1929. Other cities showed similar contraseasonal gains, and Ohio industrial employment in August was up 2.7 percent from a year ago.

Iron- and steelmaking operations expanded to near-record proportions during August, steel ingot production exceeding 6,000,000 net tons for the third time in history. Orders for flat-rolled products picked up last month, and although shipments to the automotive industry were relatively small in comparison with production at body plants, purchases by miscellaneous consumers were large. With engineering construction awards reaching a ten-year peak in August, principally as a result of large Government contracts for Army and Navy bases, backlogs of heavy steel producers were increased further, and delivery dates on structurals and plates were advanced.

Automobile assembly plants were closed for a shorter time than usual during the model change-over period, after which output was increased more rapidly than in other recent years. Production of the machine tool industry in August probably was the largest ever reported. The operating rate advanced to 93.3 percent of capacity which at the end of the month was 11.5 percent larger than in April when the peak rate of 93.4 percent was reached. Manufacturers of electrical equipment also were operating at a high rate on extremely large unfilled orders.

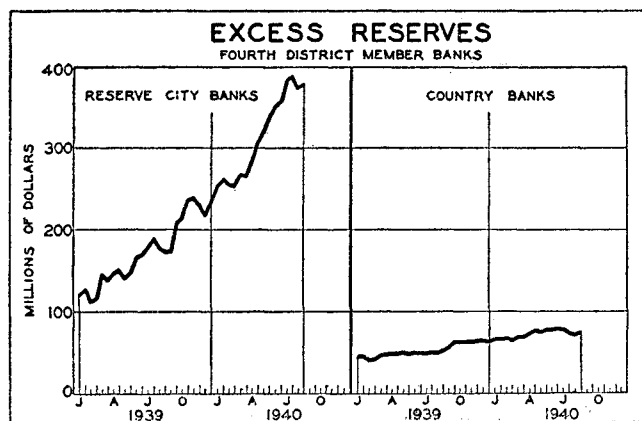
Reflecting in part increased employment and larger payrolls in many sections of the district, department store sales rose more than seasonally during August; with the exception of February 1937, the adjusted index was the highest since December 1929. Bank debits last month, while down slightly from July, were 15.6 percent larger than those of a year ago.

FINANCIAL

Member Bank Excess Reserves In view of the possible increase in demand for commercial banking accommodation to finance defense projects in

the fourth district, the excess reserve position of member banks assumes new significance. While excess reserves are by no means the only criterion for estimating potential credit expansion by banks, these reserves, together with the existing legal reserve ratios, do set an upper limit to the amount of deposit balances that can be created by the banking system at any one time. For example, since reserve city banks must maintain 17.5 percent legal reserve against their demand deposits, these banks as a group could create additional deposit balances up to 5.7 times the amount of their present excess reserves *provided* they could obtain sound and liquid assets to back up that part of each dollar of additional deposits which is not covered by reserves. (Country banks must maintain only a twelve percent legal reserve against their demand deposit liabilities.)

The charts show the excess reserve positions of reserve city banks and all other member banks in the fourth district by semimonthly periods since January 1939. In the period August 16-31 daily average excess reserves of reserve city banks amounted to \$380,267,000; of other banks, \$75,630,000. While excess reserves of both groups of banks show short-time fluctuations due to such factors as temporary changes in currency in circulation and temporary adverse balances with banks in other districts, excess reserves, especially of reserve city banks, have shown a persistent increase over the period. There is little doubt but that a substantial part of these excess reserves would be available, after allowances for larger clearing balances, to serve as backing for increased deposit liabilities.



Customers' Loan Rates

The structure of interest rates on customers' loans made by 13 banks in the larger cities of this district showed little change during the first two weeks of September from the same period in June of this year. One large loan made at a rate between one and two percent weights that classification heavily in the September period; but this effect can scarcely be considered as indicative of a trend. With this loan eliminated, the proportion of total loans which was made at an interest rate under three percent in the September period is almost the same as in the June period—47.6 percent and 49.4 percent, respectively. Both periods in 1940 showed a larger absolute and relative volume of loans made under three percent than was made September 1-15, 1939.

Customers' Loans with Maturities of One Year or Less
Made by Thirteen Banks in
Cleveland, Pittsburgh, and Cincinnati
(Amounts in thousands of dollars)

Rate of Interest	Sept. 1-15, 1940		June 1-15, 1940		Sept. 1-15, 1939	
	Amount	Number	Amount	Number	Amount	Number
0- .9	\$ 230	5	\$
1.0-1.9	11,976*	27	8,875	45	5,834	38
2.0-2.9	2,658	64	2,581	61	2,542	66
3.0-3.9	2,285	198	4,435	331	4,428	145
4.0-4.9	2,779	200	3,520	268	3,555	344
5.0-5.9	1,997	331	2,122	383	2,326	324
6.0-6.9	1,575	853	1,649	1,008	1,789	771
7.0-7.9	25	14	2	2	6	13
Total	\$23,525	1,692	\$23,184	2,098	\$20,480	1,701

*This item contains a refunding loan which accounts for more than half the total.

Federal Reserve Bank Credit

Government notes held by the Federal Reserve Bank of Cleveland declined by \$1,205,000 during the period August 21 to September 18, while holdings of other Government securities fell \$59,000. This decline, however, was offset by an increase in "float" of \$2,860,000 and an increase of \$38,000 in bills discounted. As a result, Reserve bank credit showed a net rise during the period of \$1,634,000. Member bank reserve balances increased \$36,952,000. The largest single item clearly associated with this increase was a decline of \$16,313,000 in U. S. Treasury balances. Federal Reserve notes in circulation increased \$7,581,000 in line with the persistent upward trend in this district since the middle of April of this year.

New State Member Banks

Recent amendments to the Federal Reserve Act, greatly broadening the power of the Reserve banks to serve banks and the business interests in the communities in which commercial banks operate, have stimulated interest on the part of state banks and trust companies in membership in the Federal Reserve System. This interest is based not upon whether such membership will, in the present circumstances, result in an immediate profit to the bank as a member institution, but upon the broader basis of public policy of what will, in the long run, best promote the interests of the bank, the customers, and the community.

The Federal Reserve System enables state member banks to maintain their independent status, to retain (subject to the provisions of the Federal Reserve Act) all their charter and statutory rights, to benefit by the prestige afforded by membership, and at the same time to make practical use of the many advantages afforded by association with the System.

Recent banking legislation has removed all features of compulsory membership in the System, insofar as non-

member banks are concerned, and the large increase in membership of state banks in the past few months has been solely on the basis of service and facilities. From July 1, 1939, to September 20, 1940, forty-one state banks in the fourth district, most of them smaller institutions, have joined the Federal Reserve System. Deposits of these banks average less than \$1,500,000.

On September 1, 1940, there were 153 state member banks in the fourth district, representing capital of more than \$94,000,000, and deposits in excess of \$1,650,000,000.

A list of the 41 banks mentioned is given below:

State Banks Admitted to Membership Since July 1, 1939

	Date of Admission	
Youngstown, O.	The City Trust and Savings Bank	7-18-39
Lorain, O.	The Central Bank Company	8-7-39
Fort Recovery, O.	The Ft. Recovery Banking Company	8-8-39
Sylvania, O.	The Sylvania Savings Bank Company	8-10-39
Antwerp, O.	The Antwerp Exchange Bank Company	8-15-39
Waterville, O.	The Waterville State Savings Bank Company	8-22-39
St. Bernard, O.	The Citizens Bank of St. Bernard	8-26-39
Elizabeth, Pa.	Bank of Elizabeth	9-2-39
Reading, O.	The Reading Bank	9-9-39
Kipton, O.	The Kipton Bank Company	9-13-39
Mount Gilead, O.	The Peoples Savings Bank Company	9-27-39
Middle Point, O.	The Middle Point Banking Company	10-5-39
*Sylvania, O.	The Farmers & Merchants Bank Company	10-6-39
Pittsburgh, Pa.	Iron & Glass Dollar Savings Bank of Birmingham	10-11-39
Catlettsburg, Ky.	Kentucky-Farmers Bank of Catlettsburg, Kentucky	10-14-39
Woodville, O.	The State Savings Bank of Woodville	10-23-39
Monroeville, O.	The Farmers and Citizens Banking Company	10-27-39
Croton, O.	The Croton Bank Company	11-1-39
Sandusky, O.	The Citizens Banking Company	11-17-39
Maumee, O.	The State Savings Bank Company	11-17-39
Vandalia, O.	The Vandalia State Bank	11-17-39
Minerva, O.	The Minerva Banking Company	1-6-40
Minerva, O.	The Minerva Savings & Bank Company	1-6-40
Mount Sterling, O.	The Sterling State Bank	2-5-40
Marblehead, O.	The Marblehead Bank Company	2-5-40
Canton, O.	The First Trust & Savings Bank of Canton	2-14-40
Bowling Green, O.	The Bank of Wood County Company	3-4-40
New Knoxville, O.	The Peoples Savings Bank	3-21-40
Lorain, O.	The City Bank Company	5-13-40
Arlington, O.	The Farmers and Merchants Bank Company	5-15-40
Strasburg, O.	The Citizens-State Bank of Strasburg, Ohio	5-16-40
Lodi, O.	The Lodi State Bank	5-24-40
Linesville, Pa.	Farmers and Merchants Bank of Linesville	6-6-40
Crestline, O.	The Farmers & Citizens State Bank	6-21-40
Canton, O.	The Peoples Bank	6-24-40
Richwood, O.	The Richwood Banking Company	7-3-40
Freepport, O.	The Freepport State Bank	8-7-40
Lorain, O.	The Lorain Banking Company	8-7-40
Shreve, O.	The Farmers Bank	8-13-40
West Carrollton, O.	The West Carrollton Bank	8-17-40
Alliance, O.	The Mount Union Bank	9-20-40

*Since merged with The Sylvania Savings Bank Company, a member bank.

MANUFACTURING, MINING

Iron and Steel

Steelmaking operations continued their steady rise during August and early September, moving from 89.5 percent of rated ingot capacity in the final week of July to 93 percent in the week ended September 28. The operating rate dropped to 82 percent in the holiday week when some mills closed for one day; however, production schedules were stepped up immediately afterwards to 93 percent, the highest weekly rate reported since early December last year. Continued heavy ordering of structurals and plates and increased buying of light gauge steels indicated that ingot operations would remain near the practical limits of capacity for some time.

During August the industry operated at 89.72 percent of capacity, according to the *American Iron and Steel Institute*, and 6,033,037 net tons of open hearth and Bessemer ingots were produced. Only in October and November 1939 had more raw steel been made in a single month; the August total was two percent under the record output of 6,147,783 tons in November.

Coke pig iron production during August was the best for that period since monthly data became available in 1918. Operating at 89.9 percent of capacity, the industry produced 4,234,576 net tons, more than in any month since July 1929. Consumption of iron ore rose to the highest level since August 1929 as a result. During the month 5,700,743 gross tons were used as compared with consumption of 3,775,132 tons in August 1939.

Heavy receipts of Lake Superior iron ore at Lower Lake ports resulted in a 4,600,000 gross ton addition to stocks at furnaces and on Lake Erie docks. Inventories on September 1 totaled 32,934,665 tons, up fractionally from those of a year ago.

With the American Great Lakes ore fleet operating at 100 percent for the first time in three years, August movement down the lakes was the sixth largest since monthly data were first compiled in 1919. Shipments from Upper Lake ports amounted to 10,534,431 tons, whereas in August 1939 shipments totaled 6,954,580 tons. Shipping operations early in September were hampered by fog on the Upper Lakes, and near-freezing temperatures at open pit mines in Minnesota were reported in mid-month. In order to hold monthly shipments in excess of 10,000,000 tons, operators were sending many vessels north without cargo.

Prices on steelmaking grades of scrap continued to rise steadily during August and September. From a low of \$16.25 per gross ton in mid-April, quotations on No. 1 heavy melting scrap at Pittsburgh by the fourth week in September had increased to \$20.75, \$2.50 under the high of last October. Mill buying was brisk but conservative early in the month only to taper off subsequently.

Coal Improved industrial demand for bituminous coal during August and deliveries to retail yards for the season of greatest domestic consumption resulted in moderate expansion of operations at fourth district mines. Industrial consumers continued to build up stock piles against expected greater industrial activity as well as possible higher prices under the National Bituminous Coal Act. Late in September indications were that minimum at-the-mine prices, several times postponed, would become effective October 1. Prices on most grades of coal produced in this district will be raised if quotations in price lists published early in August have not been revised. Several exceptions to the proposed minima were filed by industrial consumers in the Youngstown-Warren region and by the Ohio River trade.

Industrial consumption of bituminous coal increased four percent from June to July when 25,876,000 tons were burned. More coal was received than used during the month, however, and on August 1 stocks totaled 37,538,000 tons, 45 days' supply at the July rate of consumption. Not since January 1, 1938, had more coal been stored in industrial yards; stocks were only six percent smaller than the record inventories of December 1, 1937.

Retail demand for fuel has remained dull throughout the summer. Although sales to retailers picked up somewhat in August, there seemed little disposition to stock heavily against winter demands. Inventories have been increased, but not proportionately to those held by industrial consumers. Coal for lake shipment was ordered in good volume during the first part of September after a

slack period earlier. With train shipments during August somewhat hampered by congestion of cars at lake ports, total loadings of both cargo and vessel fuel amounted to only 6,318,000 tons, the least for any full month during the present navigation season. In August 1939, 6,587,000 tons were shipped from Lake Erie ports.

A number of large steel producers, finding output of captive bituminous coal mines to be inadequate for their current needs, have supplemented their own production with purchases in the open market. With steelmaking operations holding near the limits of practical capacity, demand for coke has exceeded the production of by-product ovens. As a result, approximately 3,000 more beehive ovens in Western Pennsylvania were in operation this August than last.

Bituminous coal production at fourth district mines totaled 15,573,000 tons during August, five percent more than was mined during the previous month. Output this year was the best for August since 1929. Operations were resumed at pre-holiday rates after the Labor Day closing.

Automobiles Automobile production expanded sharply early in September after passing its seasonal low point in August. According to *Ward's Automotive Reports*, assemblies rose from 11,635 passenger cars and trucks in the week ended August 10 to 95,990 units in the fourth week of September. Most production lines were closed for model change-over one week earlier this year than last. With possibly two exceptions, all manufacturers were assembling 1941 model cars and trucks by mid-September. Seldom has output increased so rapidly after a change-over as it did this year.

Assemblies of passenger cars for the domestic and export market during August as reported by the *Department of Commerce*, amounted to only 46,823 units, a decline of 73 percent from July, and 24 percent fewer than were made in August last year. In fact, monthly production had not been so low since November 1933, at the close of the 1932 model season. Total production of 1940 model passenger cars was approximately 3,950,000 units; roughly 300,000 fewer than were assembled during the 1937 model year, the second best in automotive history.

Retail deliveries of new cars declined seasonally from July to August, the *Bureau of Foreign and Domestic Commerce's* adjusted index of sales remaining unchanged at 120. Consumer buying was unusually brisk for the end of a model year, and dollar sales volume was ten percent greater this August than last. Some manufacturers released new models for immediate sale before scheduled auto shows; as a result, figures included sales of both 1940 and 1941 models. Field reports for the first ten days of September indicated that while deliveries were still somewhat smaller than those of the corresponding August period, they were one-third greater than in the first ten days of September 1939. Two percent more new cars were registered in eight major Ohio counties this August than last. Total registrations for the year to date were 42.6 percent ahead of the first eight months of last year.

With delivery specifications calling for prompt shipments, automotive parts manufacturers started work on new-model products early in August after a shorter than usual shutdown between seasons. Production was increased still further early in September, some parts makers in mid-month reporting operations to be 40 percent above those

of a year earlier. Employment on August 27 at 17 Cleveland firms totaled 17,804. Not since July 1937, at the close of one of the best model years in automobile sales history, had working forces been so large. Payrolls, in some instances, increased faster than employment since a few manufacturers found it necessary to work overtime. Inventories of finished parts on September 1 were approximately one-fifth greater than those of a month earlier. Unfilled orders, also, were larger.

Rubber, Tires August imports of crude rubber were the largest since monthly data became available in 1923. Included in the total of 73,028 gross tons were shipments consigned to the Rubber Reserve Company. While receipts for the defense pool are not published, total Government holdings at the end of August, including those acquired under terms of the rubber-cotton barter agreement, amounted to approximately 42,000 tons, one-fifth of all stocks in this country. Record imports and average-size withdrawals for consumption resulted in a twelve percent increase in inventories from July to August when stocks were the largest since January 1939. Spot prices for crude rubber delivered in New York have moved in the 19-20 cent range during the past six weeks. Additional supplies have become available since the International Rubber Regulation Committee raised export quotas of Far Eastern producers for fourth quarter shipment to 90 percent of basic tonnage as compared with 80 percent during the first half of this year and 85 percent in the third quarter.

Replacement tire sales during August and early September did not compare favorably with deliveries of a year ago when war-scare buying was considerable. Sales of original equipment tires, on the other hand, showed substantial decline last month from July, but exceeded 1939 shipments by a wide margin. Prices on these lines were raised late last month on all shipments since August 1; quotations on replacement tires remained unchanged.

With at least two large factories in Akron rearranging work schedules to permit vacations deferred earlier this summer, tire production during September was expected to show little change from the previous month. Sizable orders, principally from the Government for defense purposes, have resulted in expanded operations at mechanical rubber goods plants.

Textiles and Clothing Government business is becoming an increasingly important factor in both the cotton and wool goods industries as additional preparedness program orders are awarded. Increased activity on raw wool markets was noted late in August when users were making commitments to cover Army and Navy orders, and by mid-September wool top prices were the highest since January. Civilian requirements for raw apparel wools were comparatively light until after Labor Day, few weavers buying heavily against spring season needs.

With considerable loom capacity devoted chiefly to Government orders, textile mills continued operations at a good rate during August when work was completed on orders for fall season merchandise. New spring lines were opened early in September. Increased raw material prices resulted in higher quotations on this merchandise; prices, on the average, were raised 20 cents per yard over those of a year ago. These increases were larger than the ones

reported last month on tropical worsteds and gabardines. Quotations on many grades, however, were unchanged to five cents lower than those on current fall season lines.

Most fourth district clothing and needlework manufacturers maintained production near capacity throughout August and early September, some makers reporting the best season in recent years. Employment at men's clothing plants in Ohio was unchanged from July to August, but payrolls were up 3.1 percent. Increases of 7.5 percent in employment and 12.9 percent in payrolls were reported by all Pennsylvania clothing makers. A fractional decline was noted in the size of working forces at eleven Cleveland textile and needlework plants, but only in 1935 and 1936 had more workers been employed during August. Initial orders for fall and winter lines of men's wear were somewhat larger than those of a year ago, and demand for fill-in merchandise was brisk. As a result, many shops expected to increase production and shipments during the remainder of the season. Makers of men's light-weight suits and sportswear closed production in August. Preparations for 1941 lines to be introduced to the winter vacation trade were started after Labor Day. Manufacturers selling under resale price maintenance contracts apparently had not raised advertised retail prices by mid-month.

Reports from manufacturers early in September indicated that the trade anticipated delays in deliveries of cloth from mills. However, clothing makers did not seem disposed to build inventories against such contingencies.

Manufacturers of rough cotton overalls and work garments maintained production in excess of incoming orders during August with the result that finished goods inventories were increased. First contracts under the national preparedness program were awarded early in September, and some makers devoted most of their production to this work. Ordinary orders were filled out of stocks on hand.

Some shortage of skilled needlework labor was reported in mid-September in certain cities of this district, and a few manufacturers found it necessary to train unskilled workers. Labor rates, fixed by contract at the beginning of each season, remained unchanged.

Other Manufacturing Many other important manufacturing industries in this district reported an increase in the volume of new orders received during August and early September. Much of the business was attributable, directly or indirectly, to the national preparedness program. An exception to the general experience was noted in the paper and paperboard industries. Operations at many fourth district boxboard mills and carton plants were curtailed because customers were slow to take out commitments, and few new orders were reported.

Showing the sharpest month-to-month gain since last November, the operating rate of the machine tool industry in August advanced five points to 93.3 percent of capacity, one-tenth of a point under the peak of 93.4 reached in March and April. Actual production, however, probably was the largest ever reported since the industry's capacity had been increased 11.5 percent from April to August. In computing its monthly operating rate, the *National Machine Tool Builders' Association* each month adjusts capacity, which is the total of peak production, in terms of payroll

hours, of each reporting company since 1925. The rise in operations reflected not only resumption of production at plants which had closed for company-wide vacations, but also an increased volume of new orders. Awards for machine tools to be used in the preparedness program were large during late August and early September. Those concerns which had booked few direct Government orders reported heavy buying from other sources. At least three tool makers in this district have erected plant additions and expanded manufacturing facilities. One concern has started work on a large modern foundry.

Small tool makers, also, were working near capacity during August, and order backlogs were large enough to sustain peak operations for several months. Both machine tool and portable tool manufacturers have noted a scarcity of skilled labor, but short-term learner courses, which have been established in most plants, have met the increased demand for workers in almost every case.

The *Foundry Equipment Manufacturers' Association's* index of new orders declined in August from the level of July when it was the highest since February 1937. At 165.4 in August, the index was still half a point above June. Backlogs were reduced somewhat last month, but many shops found it necessary to work overtime in order to meet specified delivery dates. Production schedules for September, in some cases, were double those of a year ago.

Unfilled orders of heavy electrical equipment manufacturers rose to new high levels late in August after large contracts were awarded for propulsion machinery needed in naval vessels recently authorized. Sales of electrical household equipment such as vacuum sweepers, washers, ironers, and heating devices were brisk throughout the summer, deliveries of home laundry equipment during the first eight months of this year being the third best in history. Demand for mechanical refrigerators slackened somewhat in July and August after three record months in which sales averaged more than 350,000 units. Production at plants other than those manufacturing heavy generating equipment has remained at 80-90 percent of capacity for some months.

Plate glass production during August was 12,533,000 square feet, up 47 percent from July, and one-fifth greater than August 1939 output. The sharp increase over the previous month was largely seasonal, since automobile manufacturers started work on new model cars in August. Production was the best for that month since 1937. In September last year there was evidence that buyers were anticipating their requirements in view of possible price advances; this year there appeared to be no disposition on the part of consumers to build inventories.

Production of window glass factories remained unchanged from July to August at 61.1 percent of capacity; a year earlier operations were 53.4 percent. After Labor Day, manufacturers stepped up schedules somewhat in anticipation of business resulting from the increased amount of building under the preparedness program.

After increasing more than seasonally in July, shoe production of fourth district factories failed to show the seasonal gain expected in August. From month to month, unit output was up five percent, but August production was nearly one-fifth under last year, when more shoes were made than during any corresponding month in three years. Reorder business on fall lines of women's shoes was in fair to good volume, and operations at individual plants,

therefore, varied considerably. Showings of 1941 merchandise have been advanced from December to early November this year; accordingly, manufacturing schedules for October have been increased over those of a year ago.

The volume of new orders booked by paper and paperboard manufacturers during July and August was considerably under that of the late spring months. Production in the paperboard industry has been held practically unchanged at 74-79 percent of capacity since early May. Consequently, the backlog of unfilled orders has been reduced from more than 250,000 tons to 155,000 tons, 5.6 days' production. Carton makers in mid-September reported that customers were inclined to purchase cautiously, relating their withdrawals to immediate need. With some decline noted in raw material prices, paperboard users were delaying future commitments.

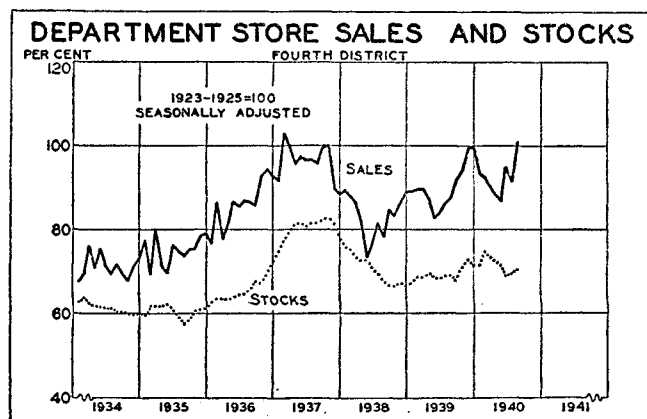
TRADE

Retail

Sales at 52 reporting department stores in leading cities of the district increased more than usual during August after showing a greater than seasonal decline in July. Last month the adjusted index of dollar volume rose 9.5 points to 101.3 percent of the 1923-25 average; with the exception of February 1937 the index was the highest since December 1929. Improvement was evident in all trading centers, sales, on the average, being 17.6 percent greater this August than last. Largest gains were noted in Western Pennsylvania cities; increases of 23.8 percent and 21.8 percent were reported in Erie and Pittsburgh. Cleveland sales were up 16.8 percent; those in Cincinnati, 14.9 percent. Stores in Akron, Columbus, and Toledo experienced gains of approximately 13.5 percent. For the year to date, total sales of all stores in the district were 8.9 percent larger than those of the first eight months last year. Basement departments of 31 reporting stores showed an increase of 20 percent in sales last month from those of a year earlier. In the first eight months, dollar volume was up 9.8 percent. Both gains are larger than those for total store sales.

Department store inventories increased little more than seasonally during August, the index rising fractionally from July to 70.5 percent of the 1923-25 average. Compared with last year, end-of-month stocks were 3.5 percent larger on a dollar basis. In recent months, sales, in relation to inventories, have continued better than those of last year.

Buying at other stores in the district was greater this August than last. Dollar sales at furniture stores made a



gain of 28 percent; wearing apparel shops sold 14.2 percent more merchandise last month than a year ago. Grocery chains raised their dollar volume per individual unit operated 23.9 percent; sales by chain drug companies, also computed per single store, were up 23.1 percent.

Wholesale Although improvement was less than seasonal in some lines, there was an increase of 14.8 percent in sales volume from July to August at 218 wholesale firms in the fourth district reporting to the *Bureau of the Census*. A gain of 10.2 percent over last August was reported. Increases over last year were most marked in the durable goods classification with the jewelry group also showing a large gain. Sales of machinery dealers were up one-half; those of heavy hardware firms, 35.3 percent. Sales of all food lines declined in August; compared with a year ago, however, fruit and vegetable and meat sales were up materially while those of the grocery group were down fractionally.

Wholesale inventories generally were larger at the end of August than a month earlier or a year ago.

CONSTRUCTION

Although contracts awarded for the entire country reached a ten-year peak in August, total awards in the Fourth Federal Reserve District were three percent smaller than those of July, chiefly as a result of a 13 percent drop in residential building. However, residential construction contracts in this district were 49 percent larger than those of August 1939 while total building volume was up 13 percent. Greatest construction activity in the year to date has been in residential building; contracts awarded in this district during the first eight months of 1940 were the largest since 1929.

Awards for factory building in the fourth district were up 78 percent in August from a year ago, although considerably below the large total of July. Contemplated construction included erection of two large airplane factories, a large foundry, and numerous industrial additions and expansions. Much of the projected building resulted from the need for additional facilities to handle orders traceable, directly and indirectly, to the preparedness program.

An increasingly large proportion of all construction in this district has been privately-owned. Approximately three-fourths of all contracts awarded during August were privately-financed, whereas in the previous month private work accounted for 64 percent of the total. In August 1939 about one-half of all construction was Government-financed. The large amount of residential building this summer, particularly of single dwellings for owner occupancy, has been a contributing factor, but August contracts included unusually large awards for privately-financed public utility construction. September 1938 was the only month during the past few years in which more utility work had been started.

With lumber and building material prices continuing to advance during August, wholesalers reported some disposition on the part of retailers to fill in stocks and to cover future requirements. Dealers' inventories were not built up greatly, however, since demand continued brisk early in September. Lumbering operations were curtailed during August, chiefly by Southern pine producers, because of wet weather which precluded outdoor seasoning.

Consequently, inventories at producing points were poorly balanced, and deliveries on certain grades were delayed.

AGRICULTURE

Drought in many sections of the Fourth Federal Reserve District during August resulted in further deterioration of those farm crops still in the field. Prospects for corn, tobacco, and soybeans declined rather sharply during the month as did those for feed crops, particularly in the Ohio Valley. With the exception of hay, these crops on September 1 gave promise of a smaller production this year than in 1939, according to the *Department of Agriculture*. The harvest of oats and barley, however, was the largest in five years.

General rains throughout the district late in August and early in September broke the heat wave, but they were thought to be too late to improve corn prospects materially. Late-planted tobacco in the region around Lexington made rapid growth after the rains, and agricultural reports estimated that if matured properly, the crop would be of good quality.

Prices of farm products at local markets on August 15 averaged one point above those of a month earlier. Quotations on hogs and cattle for slaughter were the highest in nearly a year. Wheat prices recovered the losses suffered early in August and approximated mid-June quotations late in September. The index of prices paid by farmers for commodities remained unchanged for the month ended August 15, but at 122 percent of the 1910-14 average, it was three points higher than a year earlier.

Corn September 1 conditions pointed to the smallest corn crop since 1934. On that date the fourth district crop was estimated at 148,300,000 bushels, nearly one-third smaller than last year's harvest of 212,019,000 bushels. The 1934 crop amounted to 128,893,000 bushels. Prospects were extremely uneven, not only over the entire Corn Belt, but also throughout this district. Conditions were poorest in Central and Southwestern Ohio counties. Considerable corn is rather late and subject to damage should there be early killing frosts.

Tobacco Late August rains over the tobacco regions proved beneficial to the crop, especially that which had been planted later than usual. However, much of the tobacco had been burned badly during the hot, dry weather earlier in the month. That part of the early-planted crop which had been cut before the rains was expected to cure up nicely, but indications were that the remainder would be of only fair quality. The total crop on September 1 was estimated to be 80 percent as large as last year's and the smallest since 1936.

Soybeans Heat at blossoming time reduced the set of pods and of beans per pod with the result that although a 25 percent larger acreage had been planted to soybeans this year than last, the indicated crop was ten percent smaller. On September 1, the yield per acre was estimated at 15 bushels; the 1939 harvest averaged 21 bushels. This year's prospective Ohio production was 8,670,000 bushels as compared with 9,681,000 bushels in 1939.

Pastures and Hay With unusually favorable growing conditions earlier in the summer, this district's tame hay crop on September 1 was reported to be the largest since 1929. Some fields had been cut twice before the drought

so that ample winter feed supplies were assured. Pastures dried up during August, but rains early in September restored most fields to fair grazing condition.

Fruit Severe winter weather damaged peach trees, and this year's Ohio crop was estimated to be approximately one-third of last year's heavy yield and half of the ten-year average. Apples were harmed, principally by hail and heavy rain, during blossoming time, which resulted in a lighter set of fruit than a year ago. The commercial crop in fourth district states was adjudged one-fourth smaller than that of 1939, but five percent larger than the average yield during the 1934-38 period. Grapes in the Lake Erie belt, adversely affected by weather conditions early in the growing season, will be delayed ten days or two weeks, agricultural reporters stated. Most vines appeared to be in good condition early in September. Insect damage had been light, though some vineyards reported berry moth in spite of spraying.

Debits to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended Sept. 18, 1940	% change from 1939	Year to Date		% change from 1939
			Year to Date Dec. 28, 1939 to Sept. 18, 1940	Year to Date Dec. 29, 1938 to Sept. 20, 1939	
Arkon.....	68,973	+17.3	627,690	554,760	+13.1
Butler.....	8,418	+3.0	84,990	75,817	+12.1
Canton.....	36,849	+12.4	340,117	293,524	+15.9
Cincinnati.....	289,973	-2.9	2,908,018	2,699,551	+7.7
Cleveland.....	581,722	+19.0	5,385,660	4,663,843	+15.5
Columbus.....	160,758	+0.2	1,600,283	1,466,126	+9.2
Dayton.....	66,116	+8.4	624,569	541,823	+15.3
Erie.....	27,188	+10.5	259,544	225,794	+14.9
Franklin.....	2,690	-6.6	27,499	23,796	+15.6
Greensburg.....	7,222	+36.3	69,409	56,213	+23.5
Hamilton.....	10,859	+8.1	101,355	91,209	+11.1
Homestead.....	3,343	+12.2	31,781	27,129	+17.1
Lexington.....	18,851	-3.1	206,554	201,281	+2.6
Lima.....	13,896	+1.2	128,673	113,730	+13.1
Lorain.....	5,532	+12.3	48,552	42,730	+13.6
Middletown.....	10,857	+16.1	105,367	88,060	+19.7
Oil City.....	8,771	-5.9	90,898	82,339	+10.4
Pittsburgh.....	761,552	+32.9	6,291,304	5,270,777	+19.4
Sharon.....	8,352	+15.3	75,942	67,739	+12.1
Springfield.....	16,043	+5.2	151,533	146,198	+3.6
Steubenville.....	9,329	-0.1	88,219	79,711	+10.7
Toledo.....	117,962	+10.4	1,110,887	999,300	+11.2
Warren.....	11,104	+28.5	94,800	80,604	+17.6
Wheeling.....	24,395	+2.0	245,865	248,195	-0.9
Youngstown.....	50,047	+11.2	450,630	382,960	+17.7
Zanesville.....	7,799	+2.9	76,925	69,647	+10.4
Total.....	2,328,601	+15.9	21,227,064	18,592,856	+14.2

Fourth District Business Indexes

(1923-25 = 100)

	Aug. 1940	Aug. 1939	Aug. 1938	Aug. 1937	Aug. 1936
Bank debits (24 cities).....	90	78	70	92	81
Commercial Failures (Number).....	32	32	56	33	30
(Liabilities).....	15	16	23	12	10
Sales—Life Insurance (O. and Pa.).....	80	70	63	83	80
—Department Stores (48 firms).....	84	73	65	80	72
—Wholesale Drugs (9 firms).....	110	108	102	110	94
—Dry Goods (6 firms).....	43	50	40	55	54
—Groceries (53 firms).....	75	75	72	87	80
—Hardware (31 firms).....	81	70	64	88	78
—All (218 firms).....	79	71	67	84	77
—Chain Drugs (4 firms)**.....	111	90	89	96	87
Building Contracts (Total).....	75	66	70	61	44
—(Residential).....	91	61	69	55	44
Production—Coal (O., W. Pa., E. Ky.).....	87	73	60	75	75
—Cement (O., W. Pa., E. Ky.)*.....	106	114	94	91	103
—Elec. Power (O., Pa., Ky.)*.....	218	185	168	189	179
—Petroleum (O., Pa., Ky.)*.....	117	118	117	135	125
—Shoes.....	119	145	140	136	140

*July.
**Per individual unit operated.

Wholesale and Retail Trade

(1940 compared with 1939)

	Percentage Increase or Decrease		
	SALES Aug. 1940	SALES first 8 months	STOCKS Aug. 1940
DEPARTMENT STORES (52)			
Akron.....	+13.4	+8.2	+6.1
Cincinnati.....	+14.9	+9.1	+4.5
Cleveland.....	+16.8	+7.9	-0.9
Columbus.....	+13.6	+8.5	+7.7
Erie.....	+23.8	+10.4	+2.7
Pittsburgh.....	+21.8	+10.4	+4.5
Toledo.....	+13.8	+5.8	+5.9
Wheeling.....	+6.4	+2.8	-2.7
Other Cities.....	+21.6	+10.7	+7.5
District.....	+17.6	+8.9	+3.5
WEARING APPAREL (12)			
Cincinnati.....	+13.9	+2.9	-1.9
Cleveland.....	+10.4	+0.3	-0.4
Pittsburgh.....	+25.8	+2.5	+4.9
District.....	+14.2	+1.6	+1.3
FURNITURE (37)			
Cincinnati.....	+20.2	+9.5	
Cleveland.....	+27.9	+21.8	
Columbus.....	+2.1	+7.0	
Dayton.....	+45.8	+18.3	
Toledo.....	+40.7	+16.6	
Other Cities.....	+45.5	+27.6	
District.....	+28.0	+18.9	
CHAIN STORES*			
Drugs—District (5).....	+23.1	1	
Groceries—District (4).....	+23.9	+13.4	
WHOLESALE TRADE**			
Automotive Supplies (11).....	+14.1	+19.5	-1.3
Beer (7).....	+7.1	+5.3	+14.3
Clothing and Furnishings (5).....	+12.0	+3.3	1
Confectionery (4).....	+11.9	+1.8	1
Drugs and Drug Sundries (9).....	+1.3	+1.5	+6.8
Dry Goods (6).....	+12.2	+10.7	-3.6
Electrical Goods (14).....	+28.7	+20.5	+18.2
Fresh Fruits and Vegetables (7).....	+13.8	+3.4	-8.3
Grocery Group (53).....	-0.1	+4.1	+4.7
Total Hardware Group (35).....	+18.2	+16.1	+3.4
General Hardware (8).....	+7.1	+9.3	+2.9
Heavy Hardware (4).....	+35.3	1	1
Industrial Supplies (12).....	+26.3	+27.4	+3.4
Plumbing & Heating Supplies & Equipment (11).....	+21.6	+18.5	+16.8
Jewelry & Optical Goods (6).....	+48.1	1	+12.1
Machinery, Equip. & Sup. (exc. Elect.) (6).....	+50.0	1	-8.3
Meats and Meat Products (5).....	+7.3	+8.0	+11.4
Paints and Varnishes (6).....	+2.8	+1.2	+1.1
Paper and its Products (7).....	+10.5	+15.2	+32.0
Tobacco and its Products (18).....	+7.0	+4.5	-13.3
Miscellaneous (19).....	+21.0	+16.3	+30.4
District—All Lines (218).....	+10.2	+10.3	+8.9

*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 Statistics

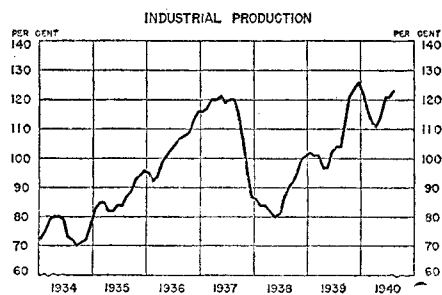
(000 omitted)

	Aug. 1940	% change from 1939	Jan.-Aug. 1940	% change from 1939
Fourth District Unless Otherwise Specified.....	\$2,436,000	+15.6	19,137,000	+15.1
Savings Deposits—end of month.....				
40 banks—O. and W. Pa.....	\$ 782,390	+0.7	1	1
Life Insurance Sales.....				
Ohio and Pa.....	\$ 76,775	+13.1	637,379	+3.7
Retail Sales.....				
Dept. Stores—52 firms.....	\$ 21,814	+17.6	163,296	+8.9
Wearing Apparel—12 firms.....	\$ 862	+14.2	6,247	+1.6
Furniture—37 firms.....	\$ 1,038	+28.0	7,159	+18.9
Building Contracts—Total.....	\$ 35,685	+13.2	246,213	-3.9
—Residential.....	\$ 15,684	+49.4	116,246	+22.8
Commercial Failures—Liabilities.....	\$ 684	-5.7	8,201	-10.6
—Number.....	46 ²	0.0	478 ²	-16.9
Production.....				
Pig Iron—U. S..... net tons	4,235	+42.1	29,344	+49.4
Steel Ingot—U. S..... net tons	6,033	+42.2	40,306	+40.1
Auto—Passenger Car—U. S.....	46,823 ²	-23.7	2,243,022 ²	+25.0
Auto—Trucks—U. S.....	29,050 ²	-24.5	493,082 ²	+3.4
Bituminous Coal, O., W. Pa., E. Ky..... net tons	15,573	+17.4	114,416	+40.8
Cement—O., W. Pa., W. Va. bbls.	1,272 ³	-7.2	6,553 ⁴	+21.3
Elec. Power, O., Pa., Ky..... Thous. k.w.h.	1,834 ³	+17.9	12,837 ⁴	+14.5
Petroleum—O., Pa., Ky..... bbls.	2,158 ³	-0.6	15,268 ⁴	+2.3
Shoes..... pairs	5	-18.3	5	-11.5
Tires, U. S..... casings	4,621	-16.1	39,888	+5.5
Bituminous Coal shipments.....				
L. E. Ports..... net tons	6,318	-4.1	32,233	+53.6

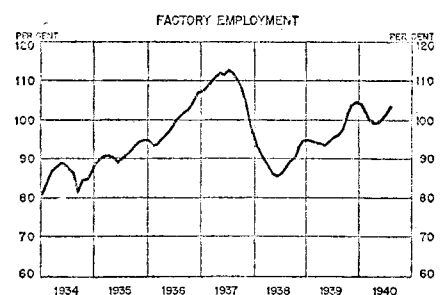
¹ not available
² actual number
³ July
⁴ Jan.-July
⁵ confidential

Summary of National Business Conditions

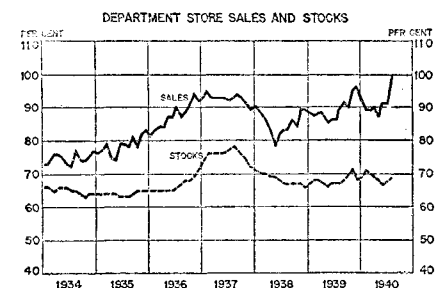
By the Board of Governors of the Federal Reserve System



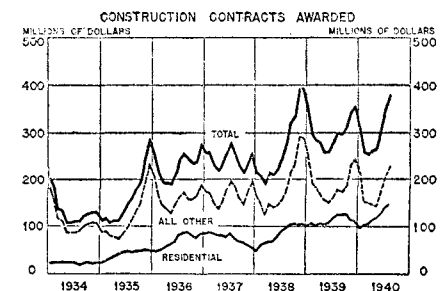
Index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1934 to August 1940. Latest figure 123.



Index of number employed, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to August 1940. Latest figure 101.4.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to August 1940. Latest figures—Sales 100, Stocks 68.



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 June and July and estimate for August.—Total 376.7, Residential 147.6, All Other 229.1.

Production and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.

Industrial Production

The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month followed by a sharp advance in the first two weeks of September as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

Value of new construction work undertaken in August was at about the same level as in July, according to reports of the *F. W. Dodge Corporation* and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

Distribution

Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September department store sales continued to increase.

Freight-car loadings advanced from July to August when little change is usual. Shipments of coal and miscellaneous freight increased while loadings of grain showed more than a seasonal decline.

Commodity Prices

Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September and, owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced and several new models of automobiles were announced at advanced prices.

Agriculture

Production prospects for most major crops increased during August, according to the *Department of Agriculture*. On the basis of September 1 conditions the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including Government payments, will be about \$8,900,000,000 for the calendar year 1940 as compared with \$8,540,000,000 last year.

Bank Credit

Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ending September 11, while their holdings of investments showed little change.

United States Government Security Prices

United States Government security prices increased in the last half of August and the first week in September and were steady in the second week in September.