

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

Vol. 22

Cleveland, Ohio, October 31, 1940

No. 10

Industrial activity has improved further in recent weeks. Production schedules were expanded rapidly immediately after Labor Day, and many industries reported near-record operations during September and early October. The volume of new business booked last month outstripped production in some instances, and backlogs of unfilled orders rose to new high levels. New orders were received at an accelerated rate during the first ten days of October.

Reflecting increased purchases of steel for defense purposes, automobile manufacturing, railroad equipment, and a wide range of miscellaneous uses, steelmaking operations in September rose to the highest monthly rate reported since November last year. Further increases were noted in October, and by mid-month production was approximately 1,500,000 net tons per week. Shipments so far this fall have been made in an orderly manner, without the confusion which resulted last year from heavy concentration of orders within a short period. Some steel has been booked for delivery during the first quarter of 1941 at prices then prevailing.

Bituminous coal producers in this district curtailed operations after minimum at-the-mine prices became effective October 1, weekly production falling below 3,500,000 net tons for the first time in two months. Industrial consumers had built up stocks over the summer in anticipation of higher prices; under provisions of the Bituminous Coal Act, quotations were raised on an average of eleven cents per ton. Many buyers dropped out of the market at the end of September. In the third week of October, coal loadings at Lake Erie ports fell to 1,086,000 tons, compared with weekly shipments in excess of 2,000,000 tons earlier in the season.

Manufacturers of automobile parts have stepped up operations sharply in recent weeks. After the earliest model changeover on record, automobile assemblies by late October reached 117,000 units per week. Retail deliveries were slow during the first ten days of September, but new car buying increased rapidly after formal presentation of models late in the month, some manufacturers reporting record sales.

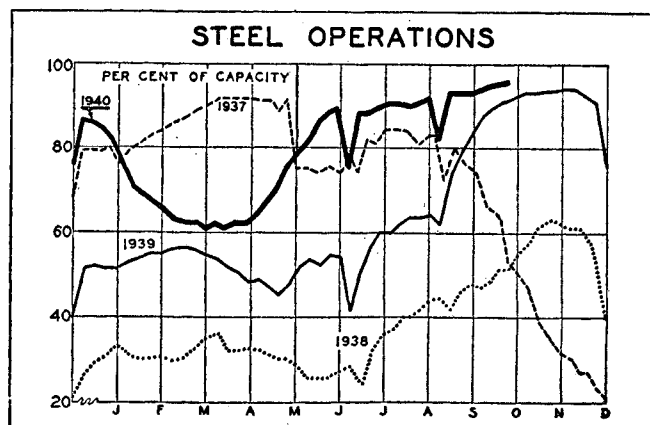
New orders received by machine tool builders also attained record high levels and indications were that bookings of heavy electrical equipment during October would exceed August's large volume. Filling orders principally for the Christmas trade, pressed and blown glassware and dinnerware manufacturers were working near

capacity during September, and backlogs of unfilled orders increased further.

Employment gains in September, largely in industries affected by defense work, reduced the number of jobless by 9,400 in Cuyahoga County. In several other industrial areas the number employed exceeded the 1937 peak. The September index of Ohio employment rose three points to 100; with the exception of December 1939, when the index was 101, this was the highest reported in nearly three years.

Compared with the employment increase of 2.9 percent, Ohio payrolls were 3.8 percent larger in September than in the previous month as a result of longer work weeks and overtime. Reduction of the legal work week to 40 hours after October 24 was expected to have but little effect on fourth district industry since most manufacturing concerns in interstate commerce already were working an eight hour day, five days a week.

Retail trade increased seasonally during September. Department store sales were 7.5 percent greater than a year ago, and the gain for the first nine months was 8.7 percent. Improvement was most marked in the larger metropolitan centers where industrial payrolls have been augmented. At 101.5 in September, the seasonally adjusted index of retail sales was the best for any month in eleven years with the exception of February 1937. During early October, only slight changes from the high totals of a year ago were noted in weekly sales at reporting department stores.



**RESERVE SYSTEM MEMBERSHIP**

Over six thousand banks, representing more than two-thirds of the banking resources of the United States, have found membership in the Federal Reserve System desirable and profitable. Recent banking legislation has made membership in the System much more attractive to banks and the services available to members through the use of Federal reserve bank facilities are of distinct advantage to the business interests served by such banks.

Among the advantages which fourth district member banks enjoy are:

- (a) The privilege of subscribing to capital stock carrying a six percent cumulative dividend.
- (b) The privilege of rediscounting paper arising out of commercial, industrial, and agricultural transactions and paper secured by obligations of the United States.
- (c) The right to borrow on its own promissory note secured by customers' paper eligible for rediscount or purchase by Federal reserve banks, or by obligations of the United States, or by certain obligations of Federal intermediate credit banks, or of the Federal Farm Mortgage Corporation and Home Owners' Loan Corporation.

- (d) The right to borrow on its own collateral note secured by any sound asset which is acceptable to this bank.
- (e) The right to ship currency and coin to and from Federal Reserve Bank of Cleveland, including its branches, which absorbs the transportation and insurance costs of such shipments.
- (f) An efficient nation-wide collection system for checks drawn on par remitting banks, which includes all member banks in the United States and most of the important nonmember banks.
- (g) A complete service for the collection of notes, drafts, maturing bonds and coupons, etc.
- (h) The transfer of balances over the Federal Reserve System's leased wires, without cost to the member bank.
- (i) The right to issue Federal reserve exchange drafts within the limits prescribed by current regulations, providing a form of immediately available exchange in any Federal reserve bank or branch city.

These services will be described more in detail in subsequent issues of the Review.

**NEW MEMBER BANK**

The First Savings Bank of Ravenna, Ohio, Ravenna, Ohio.

Agricultural prospects on October 1 were practically unchanged from those of a month earlier.

**FINANCIAL****Defense Financing**

Recent enactment by Congress of the Assignment of Claims Act of 1940 should be of interest to both bankers and industrialists in this district who expect to have any direct or indirect connection with the defense program. Generally speaking, the new law (Sections 3477 and 3737 of the Revised Statutes, as amended) by its terms permits the pledge of claims against the Federal Government arising out of the performance of public contracts as security for bank loans.

This new legislation opens the way for banks to make loans and manufacturers to obtain financial assistance in connection with plant expansion resulting from the defense program. Removal of restrictions regarding assignment of claims should also facilitate borrowing by industrialists for working capital purposes, if such needs arise out of the awarding of a Government contract. It is hoped that, as a result of this revised law, funds of local banks seeking employment might be put to work and at the same time industry might be assisted in expanding production.

**Member Bank Credit**

Thus far, the demand for loans for defense activity apparently has not reached local banks in any sizable volume. Commercial, industrial, and agricultural loans of reporting member banks in leading cities of the fourth district were reduced in the third week of September, but since that time there has been a net increase of \$8,000,000 in such loans. Compared with a year ago, commercial loans are up \$39,-

000,000, or 15 percent. Other types of loans made by reporting banks have shown practically no change in recent weeks, but investments rose \$14,000,000 between September 18 and October 16, and were at the highest level since May. The recent increase was entirely due to larger holdings of Government and Government guaranteed securities. Investments in other securities declined to the lowest level of the year.

New demand deposits of these reporting banks increased \$28,000,000 in the four latest weeks to a new high level, and interbank deposits increased by practically the same amount.

**Federal Reserve Bank Credit**

Total credit extended by this bank declined approximately \$4,700,000 in the four weeks ended October 16. Earning assets were reduced slightly more than \$10,000,000 in the period chiefly as a result of a decline in holdings of Government securities. In part this represented a decrease in the Federal Reserve System's holdings of Government securities, but there also was a reallocation of such holdings among the various reserve banks. Bills discounted for member banks increased nominally as is oftentimes the case at that season of the year. Total amount of bills discounted, however, is negligible. Only six member banks were borrowing from this bank in mid-October. Offsetting part of the reduction in bills and securities was an increase of \$5,637,000 in items in process of collection.

Despite the drop in reserve bank credit outstanding, member bank reserve deposits showed a net increase of \$24,000,000 in the four-week period. Note circulation of this bank increased slightly more than \$7,000,000 between September 18 and October 16, which was somewhat more than the change evident at this season in other recent years.

## MANUFACTURING, MINING

## Iron and Steel

Increased demand from miscellaneous steel consumers, heavier buying on the part of railroads, substantial bookings of structural steel, and a further pickup in automotive requirements during September resulted in continued expansion of activity at steelmaking plants. The national operating rate advanced from 89.72 percent of theoretical ingot capacity during August to 90.75 percent last month, although the tonnage produced, 5,895,232 net tons, was two percent less than the near-record output of August. The decline in total tonnage was due principally to the loss of one working day during the month; Labor Day was more widely observed by the steel industry this year than in the recent past. Compared with a year ago, September production was 23.6 percent larger.

Further increases in mill schedules have been reported weekly during October by the *American Iron and Steel Institute*. Operations for the fourth week of the month were estimated at 95.7 percent of ingot capacity. This is the highest weekly estimate of the past decade, exceeding the previous peak rate of 94.4 percent reported in the week ended December 2, 1939.

Third quarter open hearth and Bessemer production this year was the largest reported for that period during the past twenty years. The total of 17,523,339 tons was 14 percent greater than third quarter output three years ago and 9.3 percent more than that of the corresponding three months in 1929. For the first nine months, production of 46,201,463 tons this year compared with 47,580,508 tons in 1937 and 48,556,290 tons in 1929.

With 83 percent of all blast furnaces in the country active last month, daily average coke pig iron production advanced to the highest rate since May 1929 and exceeded that of any September since monthly data became available in 1918. September was the fifth consecutive month in which an increase in daily output was reported over that of the previous month. Total production was 4,172,551 net tons; September 1939 output was 3,218,940 tons. Of the 192 blast furnaces in operation, 159 were those depending principally on Lake Superior iron ore and located chiefly in the fourth district. These stacks last month consumed 5,671,918 gross tons of ore, fractionally less than the amount used during August, but 35.5 percent more than was consumed in September a year ago.

Iron ore shipments down the Great Lakes last month, at 9,998,618 gross tons, were the best for any September on record. Fog early in October caused some delay in vessel movement, particularly at the Soo and on the Detroit River, but on October 15 the largest ore fleet ever in commission near the end of a navigating season was still in operation. On the basis of experience during the first half of the month, it was estimated that October shipments would exceed 9,000,000 tons.

As a result of heavy receipts during the month, stocks of iron ore stored at blast furnaces and on Lake Erie docks increased 12.6 percent from September 1 to October 1. On the later date, inventories totaled 37,090,053 tons, 3.4 percent more than was held a year before and 6½ months' supply at the September rate of consumption.

Some steel mills in the Pittsburgh area which have had available finishing capacity have been doing custom rolling for other producers.

## Coal

Considerable confusion existed in the bituminous coal market after minimum at-the-mine prices and marketing regulations became effective October 1. Operations at captive mines, unaffected by provisions of the Bituminous Coal Act, continued at the high rates reported in August and September, but many independent operators, principally in the Eastern Kentucky field, found it necessary to curtail production. In some instances, mines were closed. Higher quotations on certain grades, averaging about eleven cents per ton, according to the *Bituminous Coal Division*, made it profitable for some large Canadian interests to reopen captive mines in Eastern Canada and to drop out of local markets.

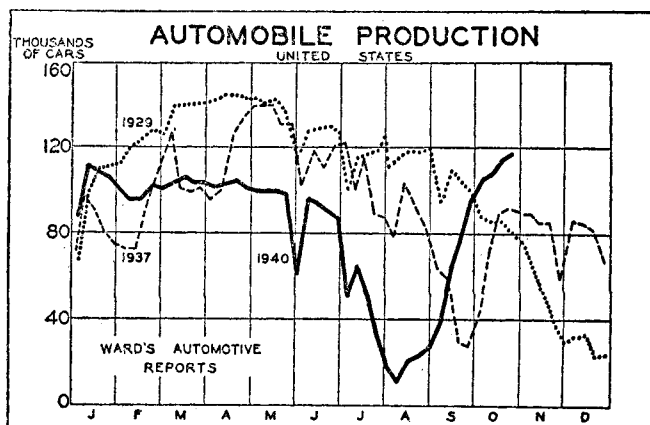
Industrial consumers, generally, had built up inventories of soft coal during the summer in anticipation of higher prices. Some users were reported to have had two months' supply before they went out of the market, but stocks held at the end of September were believed to average 45 days, on the basis of consumption during the month. Many industrial consumers, according to wholesale dealers, have experimented with new sizes and types of coal in an attempt to keep fuel costs at old levels; a few large users have investigated the operation of captive mines under lease or purchase agreements.

Coal shipments from Lake Erie ports during September were the smallest for any full month during the present navigating season. The total of 5,786,044 net tons was 8.4 percent under that of August and 10.7 percent smaller than shipments of a year ago. To date, however, 38.4 percent more coal has been cleared through Lake Erie ports this year than last. With smaller production at mines supplying the Lake trade and many vessels going north under ballast, weekly coal loadings by late October were less than 1,100,000 tons.

## Automobiles

Assembly schedules at automobile plants were stepped up rapidly after Labor Day, and by the third week of October production was in excess of 22,500 cars per day. Seldom has output been increased so rapidly after a model change-over as this year. In fact, ten weeks after assembly lines started production of 1941 models weekly output, amounting to 117,080 units, was the largest since mid-December last year. During weeks of peak production last spring output never exceeded 106,000 units.

Total September production was 269,108 units, the best for that month in a decade. Output consisted of 224,470



passenger cars and taxicabs and 44,638 trucks, busses, and road tractors. Gains over both a month before and a year ago were most marked in passenger cars, there being less emphasis on year-to-year changes in truck design. Government awards for scout and reconnaissance cars have been placed regularly during recent weeks; the largest single order was awarded a fourth district truck manufacturer. These cars are specially designed, and considerable retooling has been required in plants receiving orders; consequently, deliveries will extend over a period of several months. As yet truck production figures have included few of these high-priced special-duty cars. The larger portion of truck assemblies has been of commercial units which utilize passenger car engines and conventional type driving mechanisms.

Retail deliveries of new automobiles declined from August to September, but last month's sales of approximately 200,000 units were 15 percent larger than those of a year ago. Registrations in eight major Ohio counties were nine percent greater this September than last; 5,772 new cars were licensed. Both in Ohio and throughout the country, sales were largest during the final ten days of the month. Some 1941 cars were delivered before Labor Day, but the volume producers did not release new models for sale until after formal presentation late in September.

Mid-October reports from fourth district automotive parts and accessories manufacturers indicated that motor makers intended to continue the high rate of assemblies for some time. Shipping schedules during the month, in some cases, were 15 percent larger than those of September and 35 percent greater than those of a year ago. Working forces have been augmented accordingly. Twenty-four percent more workers were employed in seventeen Cleveland automotive parts plants at the end of September than a year before, and some manufacturers reported that an additional ten percent would be hired during October.

#### Rubber, Tires

Exceeding record August receipts by eight percent, gross imports of crude rubber during September, totaling 78,792 gross tons, were the largest for any month on record. Continuation of record arrivals resulted in further substantial increases in crude rubber stocks stored in this country. Inventories at the beginning of October were 13.3 percent larger than those held a month before. Despite an increase of 76.4 percent in stocks during the past year, October 1 inventories of 241,358 tons were considerably smaller than those on hand at the beginning

of any month in 1938. Government holdings of crude rubber, both under terms of the cotton-rubber barter agreement and by the Rubber Reserve Company, amounted to 50,435 tons on September 28, an increase of 8,684 tons during the month.

On a daily average basis, consumption of crude rubber during September was considerably heavier than in the previous month, the total of 50,234 tons being only fractionally under that of August which had three additional working days. To permit deferred vacations, several major companies in Akron did not reopen all production lines until mid-September; consequently, tire output for the month was 4.4 percent smaller than that of August. An increasingly large proportion of total production has been truck and heavy duty casings which require more rubber per tire. As a result, the number of casings made has been less related to crude rubber consumption than in the recent past when passenger car tires accounted for a greater share of total output.

September shipments of original equipment tires were the largest for that month since 1928. Replacement shipments declined more than seasonally from August to September, dealers continuing to work off sizable inventories of tires accumulated before increased excise taxes raised prices early in July. Approximately 1,400,000 fewer replacement tires were sold last month than in September 1939. At that time, dealers, in the rush of war-scare buying, were building inventories; this year, purchasing has been on a hand-to-mouth basis.

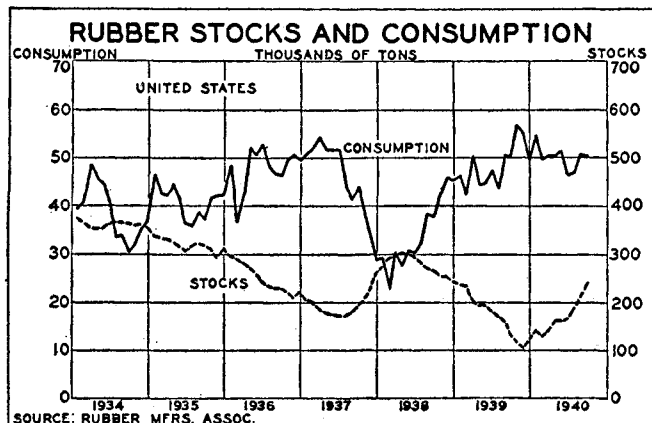
Most mechanical rubber goods plants expanded operations about ten percent during the third quarter.

#### Textiles and Clothing

Government orders for large quantities of woolen uniform cloth and blankets have absorbed considerable weaving capacity of mills using domestic wools, and others which handle only foreign fibers were busy with civilian business in mid-October. Frequent large purchases of apparel wool for Government account raised spot wool top prices 26 cents per pound during the seven weeks after Labor Day. Accordingly, quotations on cloth were increased 7½-10 cents per yard over prices on fall season lines, and clothing manufacturers were anticipating requirements to some extent. Until mid-October, at least, most men's clothing makers, particularly those of full season lines, had absorbed these increases, not passing them on to customers as higher prices on ready-to-wear garments.

Needlework shops generally had completed work on lines of heavier-weight suits and coats before mid-October, and many were receiving orders for spring garments. Early buying of new merchandise was in larger volume this year than usual. Women's coat and suit manufacturers also noted that retailers were purchasing cautiously.

Operating schedules at shops making overalls and rough cotton work garments were increased considerably last month over those of August. Primarily due to orders from the Army and Navy, production was larger this September than last. Demand has been brisk from civilian consumers who were reported to be buying in larger quantities than in the recent past. Most of these orders were for prompt or nearby delivery. Small backlogs of unfilled orders have been accumulated at manufacturing plants, but production, in most cases, was keeping pace with the volume of new business.



**Other Manufacturing** The expansion evident a month ago in many of the other manufacturing industries in the fourth district continued during the latter part of September and early October, though at a less rapid rate than was reported last month. Industries most closely related to the national preparedness program—machine tools, foundry equipment, heavy electrical equipment, and the like—stepped up production schedules somewhat. Plate glass manufacturers also increased output as new model automobile assemblies exceeded 22,500 units per day. Shoe factories curtailed production as work was completed on fall season merchandise. Operations at carton plants were practically unchanged during the month.

With new orders expanding further to record high levels, the machine tool industry in September increased operations to an all-time peak at 94.9 percent of computed capacity, 1½ points above the previous high rate of 93.4 percent reported by the *National Machine Tool Builders' Association* in March and April. The index stood at 74.6 in September 1939, after the first month of war. Since that time, the industry's capacity, which is recomputed monthly as percentage of peak production, in terms of payroll hours, of each reporting company since 1925, has been enlarged 41 percent. During September, some plant additions, which had been started late last spring, came into production and resulted in a 4.4 percent increase in capacity. Actual production during the month, therefore, probably was the largest ever reported. Shipments during September, as in other recent months, failed to equal the volume of incoming business, and unfilled orders expanded further. Some companies reported loss of business on account of long deliveries. Most new orders have been from domestic sources, principally from industries working on defense projects rather than from the Government directly.

The *Foundry Equipment Manufacturers' Association's* index of new orders declined during September for the second consecutive month, but insistent customer demand for prompt deliveries forced most of the larger foundries to increase production schedules further. Smaller shops appeared to be less rushed than large ones. At 161.2 percent of the 1937-39 average, the index of new orders closed during September was 16 percent above a year ago. Many in the trade believe consumers have been anticipating needs and purchasing for inventory.

Incoming orders for generators and other heavy electrical equipment during September were down from the record volume reported in the previous month when large Government contracts for naval vessel propulsion machinery were awarded, but they were considerably above those of last year and indications pointed to a new high record for October. Production did not increase as rapidly as new business with the result that order backlogs rose. Some manufacturers of small electrical devices and supplies reported new business in September to be the best for any month this year.

Plate glass production during September totaled 14,091,000 square feet, the largest monthly output since March. Heavy shipments of laminated plate glass to the automotive trade accounted for much of the increased production, but purchases by other industries, particularly mirror manufacturers, have been large. Demand for structural glass, also, has been brisk. While there was less evidence of forward buying this September than last, fairly sizable backlogs

have been accumulated. In some instances these are large enough to maintain heavy production schedules for sixty to ninety days.

Shipments of pressed and blown glassware have been large, and many factories have had difficulty meeting delivery demands, particularly for items which become parts of other articles to be offered the Christmas trade. Buying of all lines except illuminating ware has been heavy since late August. Labor disputes closed production lines at some fourth district plants for the first two weeks of September.

Increasing rapidly last month, operations in the dinnerware branch of the ceramics industry by mid-October were at 85-90 percent of capacity, the rate reported at this time last year. New business has been considerably in excess of production, and practically all buyers have specified immediate shipment.

Some improvement in the demand for paperboard early in October provided the industry with a small backlog of orders on hand, and production schedules were stepped up to 78 per cent of capacity. Averaging 83 percent of capacity, paper mill operations during September were the lowest this year, the market remaining sluggish. Possibility of a pulp shortage has resulted in mill purchases of raw materials in anticipation of higher prices. Shipments from fourth district carton factories continued to exceed new orders during September and early October, and backlogs were reduced further. Some holiday requirements had been ordered for immediate delivery, but ordinary business was slow. Many consumers have deferred placing new orders until more detailed information as to proper labeling of food and drug products was available.

Production at fourth district shoe factories slumped more than seasonally from August to September, and the month's output was 24.7 percent smaller than that of a year ago. Many manufacturers completed work on fall styles somewhat earlier this year than last, and by mid-October some salesmen were on the road with spring merchandise.

## TRADE

### Retail

Dollar volume of sales at reporting department stores during September was 7.5 percent greater this year than last, but considerable variation was evident between cities. At Cincinnati a gain of twelve percent was reported, while Pittsburgh and Cleveland showed increases of ten and eight percent. Gains of three and two percent were reported in Wheeling and Erie. Akron sales were down fractionally from last September's high volume.

Credit sales last month represented a smaller share of total store sales than those of August or September a year ago. Regular 30-day charge sales were larger proportionately than in August, representing 54 percent of all sales. Both regular charge and installment credit sales were smaller in relation to total sales than in September 1939. Collections were rather slow during the month and represented 32 percent of all accounts receivable outstanding at the beginning of September, compared with 35 percent in August and 34 percent a year ago. The slowing down was principally on regular 30-day accounts.

Department stores increased stocks little more than seasonally during September, and at the month end dollar value of inventories was 5.5 percent greater than that of

a year ago. Retail prices, in the meantime, have risen by about the same amount. Advances have been most marked in the house furnishings classification, although increases have been general.

Wearing apparel shops sold six percent more merchandise this September than last, while furniture and home furnishings stores did 15 percent more business. Chain grocery sales per individual unit operated were off seven percent; those of chain drug companies, also computed per individual store operated, showed a gain of twelve percent. Compared with August, September sales of chain grocery and chain drug stores were down ten percent and six percent. Stocks at women's apparel shops were eight percent larger at the end of September than those of a year before; accounts receivable were up eleven percent. Collections during September represented 29 percent of accounts receivable outstanding on the first of the month.

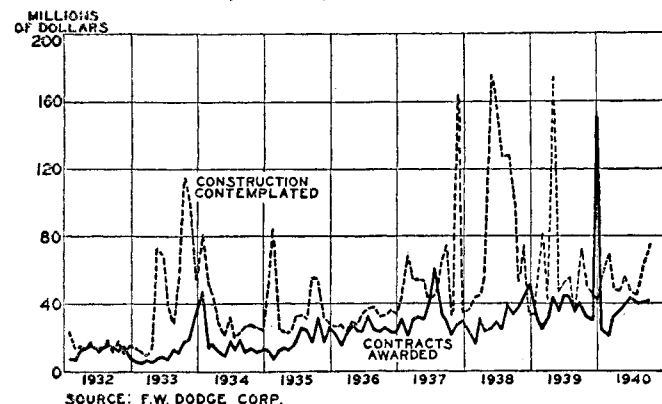
**Wholesale** Sales of 223 fourth district wholesale firms in all lines reporting to the *Bureau of the Census* were 4.5 percent larger in September than during August, but in relation to last year a decrease of 3.9 percent was noted. Gains over the preceding month were fairly well distributed, although a few lines such as meats, tobacco, automotive supplies, and electrical goods showed small losses. Wholesale grocery firms sold 17.3 percent less merchandise this September than last when housewives were laying in supplies of sugar, flour, and other staples. Meat dealers also experienced a sharp decline in sales volume as did dry goods wholesalers. Beverage distributors' sales were cut even more, September being a cooler month this year than last. These decreases were not offset by sizable improvements reported by machinery and hardware dealers. Clothiers, jewelers, automotive supply dealers, among others, sold more merchandise last month than a year ago.

Most wholesalers, other than produce dealers and grocers, increased stocks somewhat during September. On the average, inventories at the end of the month were 4.4 percent larger than those of a year before.

### CONSTRUCTION

New construction started in the fourth district during September was valued at \$33,818,000, according to data compiled by the *F. W. Dodge Corporation*. While this was

### CONSTRUCTION CONTEMPLATED AND CONTRACTS AWARDED Ohio, W. Pa., W. Va., & Ky.



a decrease of 5.2 percent from the total reported for the previous month, contracts awarded, on a daily average basis, were larger in September than in August. Compared with a year ago, the September total, which was the smallest for any month since April, was down a little more than one percent. Nationally there was a gain of seven percent, and the month's awards were the largest for any September since 1929.

Contracts awarded for non-residential construction in this district declined 10.5 percent in September from the previous month and 17.7 percent from the near-record volume of a year ago. Residential awards, on the other hand, increased 1.4 percent over August, and this September's awards were 27.6 percent greater than last year's. In fact, residential building contracts last month were larger than for any other September in twelve years.

Greatest improvement in this classification was evident in speculative building of single family houses for rent or sale and of two-family dwellings. Awards during September for these types of houses were  $2\frac{1}{4}$  times those of both the month previous and a year before. Nearly half of this speculative home building was started in the Cleveland area, most of it being two-family houses. The largest development was a 334 double unit United States Housing Authority project built in Columbus. In the region around Cincinnati, only a negligible part of all residential building was publicly owned, while in the Pittsburgh section Government-financed projects accounted for 45 percent of the total.

Despite the fact that many industrial concerns have announced plans for plant additions and new factories to be built in the fourth district, the value of non-residential contracts awarded last month was the smallest for any September in a decade. More than twice as much factory construction was started during September as during August, but last month's total awards, amounting to approximately \$5,000,000, were considerably smaller than those of July. The value of commercial buildings—those used for other than manufacturing purposes—was the smallest for any month this year with the exception of January.

According to data compiled by the *Lumber Survey Committee*, national lumber consumption during the third quarter, including defense requirements, amounted to 7,850,000,000 board feet, ten percent more than was used during the same period last year. On October 1, estimated stocks available for sale, totaling 7,197,000,000 board feet, were eight percent smaller than those on the same date a year ago. Reports from fourth district correspondents in mid-October indicated that some producers had withdrawn from the market, having booked their capacity for the next sixty days. Consequently, wholesalers were having difficulty in securing prompt delivery on some items.

### AGRICULTURE

Crop conditions throughout the fourth district, based on October 1 reports, were little changed from those of a month before, and aggregate production was adjudged to be considerably under that of 1939. In contrast, the *Department of Agriculture* estimated that national production this year would be the second largest on record. Frost late in September, while earlier than for a number of years, caused serious crop damage only in widely scattered localities in Pennsylvania. Prospects there for corn were materially lessened by freezing weather in the west-central part of

the state. Offsetting this loss was an equal improvement in the Kentucky crop; corn prospects for Ohio were unchanged during the month. Rains early in September proved beneficial to tobacco still in the fields, but drought during most of the summer impaired both the quantity and quality of the Kentucky burley crop. Forecasts for commercial fruit crops also indicated smaller production than a year ago, in most instances.

**Corn** According to independent crop reporters, the 1940 corn crop lacks the high quality that characterized the harvests of the last three years; preliminary estimates indicated that about twelve percent of the national crop would grade unmerchantable, as compared with seven percent similarly estimated a year ago. Due to stunted growth of the crop in certain sections of the district, it was expected that the proportion of total acreage used for silage and forage would be considerably larger than last year.

**Sugar Beets** Yield prospects for sugar beets in Ohio decreased half a ton per acre during September. Indicated 1940 production, according to the October 1 *Crop Report*, was 344,000 tons, slightly under last year's harvest, but one-third more than average production during the ten years, 1929-38.

## Debits to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended October 16, 1940	% change from 1939	Year to Date Dec. 28, 1939 to Oct. 16, 1940	Year to Date Dec. 29, 1938 to Oct. 18, 1939	% change from 1939
Akron.....	89,355	+24.1	717,045	626,737	+14.4
Butler.....	9,960	-1.4	94,950	85,919	+10.5
Canton.....	38,679	+8.3	378,796	329,246	+15.0
Cincinnati.....	324,329	+2.1	3,232,347	3,017,250	+7.1
Cleveland.....	688,008	+13.8	6,073,668	5,268,500	+15.3
Columbus.....	176,359	+7.8	1,776,642	1,629,730	+9.0
Dayton.....	72,363	+18.0	696,932	603,166	+15.5
Erie.....	28,455	+3.3	287,999	253,338	+13.9
Franklin.....	3,010	+0.8	30,509	26,782	+13.9
Greensburg.....	7,333	+2.8	76,742	63,343	+21.2
Hamilton.....	11,648	+4.1	113,003	102,402	+10.4
Homestead.....	3,554	+17.9	35,335	30,143	+17.2
Lexington.....	18,233	-1.7	224,787	219,829	+2.3
Lima.....	15,451	+9.6	144,124	127,831	+12.7
Lorain.....	5,550	+12.8	54,102	47,650	+13.0
Middletown.....	11,469	+4.6	116,836	99,022	+18.5
Oil City.....	9,708	-0.8	100,606	92,127	+9.2
Pittsburgh.....	700,605	+11.9	6,991,909	5,897,108	+18.6
Sharon.....	9,226	+5.9	85,168	76,453	+11.4
Springfield.....	16,671	+6.0	168,204	161,921	+3.9
Steubenville.....	9,840	+0.2	98,059	89,534	+9.5
Toledo.....	132,249	+13.0	1,243,136	1,116,377	+11.4
Warren.....	11,660	+9.0	106,460	91,305	+16.6
Wheeling.....	27,272	+0.9	273,137	275,212	-0.8
Youngstown.....	56,135	+8.0	506,765	434,330	+16.5
Zanesville.....	8,640	+4.4	85,565	77,919	+9.8
Total.....	2,485,762	+10.4	23,712,826	20,843,774	+13.8

## Fourth District Business Statistics

(000 omitted)

### Wholesale and Retail Trade

(1940 compared with 1939)

	SALES September 1940	Percentage Increase or Decrease first 9 months	STOCKS September 1940
DEPARTMENT STORES (52)			
Akron.....	+0.6	+7.0	+10.7
Cincinnati.....	+12.3	+9.5	+3.1
Cleveland.....	+8.4	+7.9	+1.9
Columbus.....	+5.6	+8.2	+10.7
Erie.....	+2.4	+9.4	+7.7
Pittsburgh.....	+9.6	+10.3	+4.6
Toledo.....	+4.0	+5.5	+15.9
Wheeling.....	+2.8	+2.8	+0.3
Other Cities.....	+1.9	+9.5	+10.0
District.....	+7.5	+8.7	+5.5
WEARING APPAREL (12)			
Cincinnati.....	+11.9	+3.8	+8.6
Cleveland.....	+5.5	+0.9	+5.9
Pittsburgh.....	+3.2	+2.6	+2.0
District.....	+5.6	+2.1	+7.8
FURNITURE (38)			
Cincinnati.....	+4.9	+9.0	
Cleveland.....	+18.5	+21.4	
Columbus.....	+6.8	+7.0	
Dayton.....	+2.7	+16.4	
Toledo.....	+31.1	+17.5	
Other Cities.....	+15.5	+26.2	
District.....	+15.0	+18.4	
CHAIN STORES*			
Drugs—District (5).....	+11.7	1	
Groceries—District (4).....	+6.5	+10.9	
WHOLESALE TRADE**			
Automotive Supplies (10).....	+10.9	+18.3	+1.9
Beer (7).....	+16.3	+2.2	+25.0
Clothing and Furnishings (5).....	+11.8	+4.5	1
Confectionery (3).....	+5.1	+2.1	1
Drugs and Sundries (9).....	+0.6	+1.4	+8.6
Dry Goods (4).....	+9.4	+9.6	+7.9
Electrical Goods (15).....	+4.4	+18.8	+2.7
Fresh Fruits and Vegetables (7).....	-0.7	+3.1	-5.8
Grocery Group (54).....	+17.3	+0.9	-4.8
General Hardware (41).....	+6.8	+14.4	+1.3
Heavy Hardware (10).....	+3.7	+8.4	+0.6
Industrial Supplies (15).....	+20.1	1	1
Plumbing & Heating Supplies (13).....	+1.1	+24.4	+2.4
Jewelry & Optical Goods (5).....	+8.8	+17.1	+11.1
Machinery, Equip. & Sup. (exc. Elect.) (5).....	+16.4	1	1
Meats and Meat Products (5).....	+77.5	1	1
Metals (3).....	+13.1	+5.4	+1.0
Paints and Varnishes (5).....	+8.7	+2.0	+2.6
Paper and its Products (6).....	+2.0	+13.3	1
Tobacco and its Products (18).....	+4.8	+4.5	+0.8
Miscellaneous (21).....	+4.0	+14.6	+17.9
District—All Wholesale Trade (223).....	+3.9	+7.1	+4.4

\* 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 Unless Otherwise Specified	Sept. 1940	% change from 1939	Jan.-Sept. 1940	% change from 1939
Bank Debits—24 cities.....	\$2,605,000	+12.8	21,742,000	+14.8
Savings Deposits—end of month:				
40 banks O. and W. Pa.....	\$ 780,428	+1.0	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 71,995	+12.9	709,374	+4.6
Retail Sales:				
Dept. Stores—52 firms.....	\$ 24,530	+7.5	187,826	+8.7
Wearing Apparel—12 firms.....	\$ 958	+5.6	7,205	+2.1
Furniture—38 firms.....	\$ 898	+15.0	8,164	+18.4
Building Contracts—Total.....	\$ 33,818	-1.2	280,031	-3.6
—Residential.....	\$ 15,910	+27.6	132,156	+23.4
Commercial Failures—Liabilities.....	\$ 1,049	+36.1	9,250	-7.0
—Number.....	362	-5.3	5142	-16.2
Production:				
Pig Iron—U. S..... net tons	4,173	+29.6	33,516	+46.6
Steel Ingot—U. S..... net tons	5,895	+23.6	46,201	+37.8
Auto—Passenger Car—U. S.....	224,4702	+38.9	2,467,4922	+26.2
Auto—Trucks—U. S.....	44,6382	+64.5	537,7202	+6.7
Bituminous Coal, O. W. Pa., E. Ky..... net tons	15,082	+3.1	129,498	+35.0
Cement—O. W. Pa., W. Va. bbls.	1,542	+22.0	9,566	+17.2
Elec. Power, O., Pa., Ky. Thous. k.w.h.....	1,9043	+14.3	14,7414	+14.5
Petroleum—O., Pa., Ky..... bbls.	2,1193	-7.0	17,3874	+1.1
Shoes..... pairs	5	-24.7	5	-12.7
Tires—U. S..... casings	4,417	-13.0	44,262	+3.2
Bituminous Coal Shipments:				
L. E. Ports..... net tons	5,786	-10.7	38,020	+38.4

1 not available  
2 actual number  
3 August

4 Jan.-August  
5 confidential

## Fourth District Business Indexes

(1923-25=100)

	Sept. 1940	Sept. 1939	Sept. 1938	Sept. 1937	Sept. 1936
Bank debits (24 cities).....	96	85	74	93	82
Commercial Failures (Number).....	25	26	52	33	28
—(Liabilities).....	24	18	22	16	35
Sales—Life Insurance (O. and Pa.).....	75	66	61	74	77
—Department Stores (48 firms).....	107	96	90	103	89
—Wholesale Drugs (9 firms).....	122	121	113	124	106
—Dry Goods (4 firms).....	72	79	55	71	66
—Groceries (54 firms).....	76	92	77	91	86
—Hardware (41 firms).....	85	81	78	99	90
—All (108 firms).....	83	91	77	93	86
—Chain Drugs (5 firms)**.....	104	93	91	98	90
Building Contracts (Total).....	71	72	66	56	39
—(Residential).....	93	72	66	50	47
Production—Coal (O., W. Pa., E. Ky.).....	83	81	66	80	82
—Cement (O., W. Pa., E. Ky.).....	128	105	93	88	109
—Elec. Power (O., Pa., Ky.).....	227	198	182	194	180
—Petroleum (O., Pa., Ky.).....	115	123	125	135	123
—Shoes.....	88	116	118	115	135

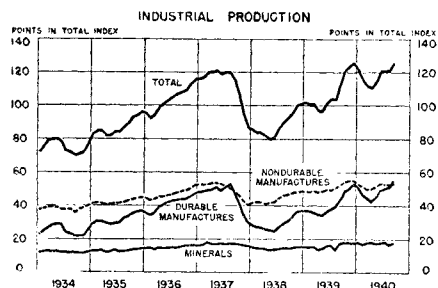
\* August.

\*\* Per individual unit operated.

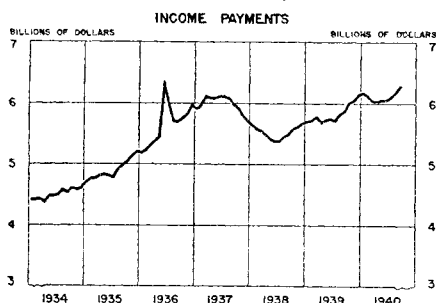


## Summary of National Business Conditions

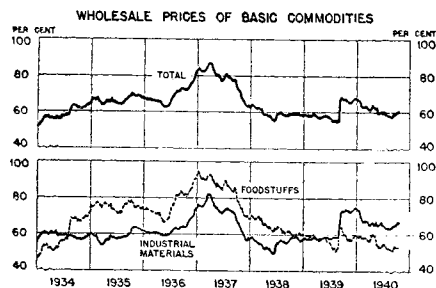
By the Board of Governors of the Federal Reserve System



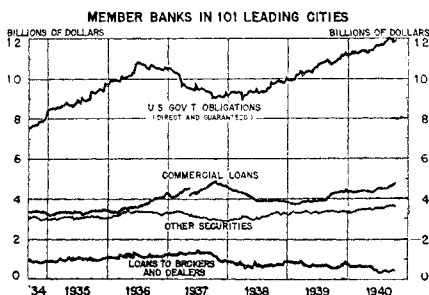
Index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January 1934 to September 1940. Latest figures—Total 125, durable 54.7, nondurable 52.8, minerals 17.5



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to September 1940. Latest figure—6,258.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending October 10, 1940. Latest figures—Total 60.3, foodstuffs 52.9, industrial materials 66.9.



Wednesday figures, September 5, 1934, to October 10, 1940. Commercial loans based on new classification beginning May 19, 1937. Latest figures—U. S. Government obligations (direct and guaranteed) 11,858, other securities 3,669, commercial loans 4,672, loans to brokers and dealers 409.

Volume of industrial production increased sharply in September, owing mainly to a continued rise in output of durable manufactured products, and this month a further increase is indicated. Prices of basic industrial materials advanced in September and the first half of October.

### Production

The Board's seasonally adjusted index of industrial production, which for three months had been at a level of 121 per cent of the 1935-39 average, advanced to about 125 per cent in September. In the durable goods industries increases in output were general. Steel production rose to 93 per cent of capacity, and in the first half of October the rate was slightly higher as new orders continued in large volume both from domestic and foreign sources. Steel exports amounted to about 20 per cent of ingot-producing capacity in August, the latest month for which data are available, with nearly three quarters of these shipments going to the United Kingdom and Canada. Activity in the machinery, aircraft, and shipbuilding industries advanced further in September following considerable increases in August, and automobile output increased sharply as volume production of new model cars was rapidly attained. Plants producing railroad cars and locomotives also showed an expansion in activity. Lumber production continued to rise under the impetus of a growing volume of demand for defense program purposes.

Changes in output of nondurable manufactured goods and minerals in September were mixed. At wool textile mills activity advanced sharply further to near the peak reached last autumn, reflecting in part expanding production on Government orders. At cotton mills, however, activity showed less than the usual seasonal rise, following a sharp increase in August, and rayon deliveries declined somewhat owing partly to a strike at plants of one large producer. Shoe production also declined in September. Paper production remained in reduced volume following a high rate of output during the early summer accompanying some inventory accumulation at that time. Output of most metals continued large during September. Crude petroleum production, which had been curtailed sharply during the summer, rose considerably, but coal production, which for several months had been maintained at high levels, showed a smaller increase than is usual at this season.

Value of new construction work started in September was lower than in July and August, according to reports of the *F. W. Dodge Corporation* and the San Francisco Federal Reserve Bank. The decline occurred chiefly in contracts for defense projects which had been large in the previous two months. Awards for private residential building showed little change from recent high levels. Awards for other private work declined somewhat but continued considerably above the level of a year ago.

### Distribution

In September and the early part of October department store sales showed somewhat less than the usual seasonal increase from the exceptionally high level reached in August.

Freight-car loadings rose somewhat more than seasonally in September, reflecting to a large extent increased shipments of miscellaneous freight. Loadings of coal, which have been large in recent months, showed less than the usual seasonal rise.

### Commodity Prices

Prices of most industrial materials, particularly lumber, steel scrap, nonferrous metals, hides, and wool, continued to advance from the middle of September to the middle of October, and there were also increases in some manufactured products, notably cotton and woolen goods. Wheat prices were higher while prices of most other foodstuffs showed little change.

### Bank Credit

Commercial loans at reporting member banks in New York and 100 other leading cities continued to increase during the four weeks ending October 9, reflecting in part seasonal demands. Holdings of United States Government obligations decreased further with the result that total loans and investments of these banks showed little change.

### United States Government Security Prices

Prices of United States Government securities advanced in the second half of September and the first week in October, rising close to the high level of the year reached early last April.