

MONTHLY BUSINESS REVIEW

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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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The volume of new orders booked during October and the first weeks of November by important manufacturing industries in the fourth district was appreciably larger than that of immediately preceding periods. In some instances more new business was received this year than last despite the fact that war precipitated a rush of speculative buying at this time a year ago. Reports from many manufacturers in mid-November indicated that they have not been adding materially to inventories, preferring not to carry heavy stocks into 1941. Direct defense orders have not bulked as large in relation to productive capacity in this district as elsewhere since most industries here are of the subcontracting type. Production in many lines, notably steel and machine tools, reached all-time peaks during October, but failed to equal the volume of new business received. Backlogs of unfilled orders generally were large enough to maintain current operating schedules until the year end or longer. Several industries have been working only one shift, possibly with some overtime.

Notwithstanding the fact that shipments have been leaving steel mills at a rate unsurpassed since World War years, there has been less confusion in the industry this fall than last. Most mills have filled their fourth quarter rolling schedules, and at least a part of first quarter production of some products, such as structurals, has been sold.

Some steel producers recently have adopted the policy of selling on an f.o.b. mill basis to new customers outside of the company's own basing point area. This practice results in slightly higher prices when a consumer is forced to go outside the basing point territory governing his district to secure desired items.

The index of Ohio industrial employment rose $2\frac{1}{2}$ percent during October to the highest level in three years, according to *Bureau of Labor Statistics* data. At $102\frac{1}{2}$, it was $1\frac{1}{2}$ points above last December, the most recent peak. Gains were largest at automotive parts, electrical machinery, and tire factories although some improvement was noted at blast furnaces and foundries, industries which had been operating at high rates previously.

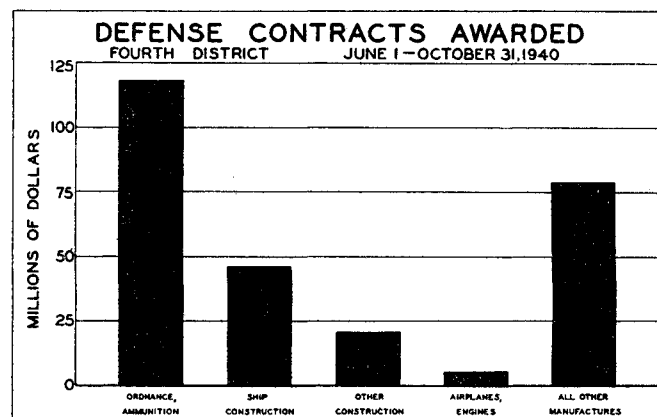
Payrolls of Ohio manufacturing industries were increased more rapidly than working forces last month, and the same was true at Western Pennsylvania factories. This was a continuation of the trend which has been evident since late spring. Ohio wage disbursements were four percent larger in October than in September.

NATIONAL DEFENSE

The Federal reserve banks in cooperation with commercial banks throughout the country, in a nation-wide movement initiated by the National Defense Advisory Commission, are attempting to decentralize the placement of defense orders and to encourage small and medium-sized enterprises to occupy their proper place of vital importance in the national defense program. The facilities of big business enterprises have been classified by the Army and by the Navy. No such classification of smaller business concerns has previously been undertaken and the productive facilities of thousands of smaller manufacturing units are not accurately known.

According to the latest available Census of Manufactures in the United States, manufacturing concerns in this district create in excess of 15 percent of value added to goods by the manufacturing processes. Primary defense orders actually placed in this district to date amount to less than four percent of the total, indicating that this territory is not receiving the proportion of defense orders which its manufacturing importance might justify, and that the manufacturing facilities of the district are not being utilized to the fullest extent for defense work.

The accompanying chart shows primary defense contracts awarded to industrial concerns in this district between June 1 and October 31. The aggregate volume is \$270 millions. Of this total, contracts for ordnance and ammunition, at \$119 millions, represented 44 percent; ship construction contracts, at \$46 millions, represented 17 per-



cent; other construction, at \$21 millions, 8 percent; airplane engines, etc., at \$5 millions, 2 percent; and all other manufacturing \$79 millions or 29 percent of the total contracts awarded in this area. These figures in no way represent the total part fourth district industry is now playing or will play in the defense program for, even under ordinary conditions, the position of many of our industrial concerns is as subcontractors, or parts and material suppliers. Relatively few direct Government contracts for raw steel have been awarded, and yet local steel plants are operating at or close to capacity on orders received from holders of direct and indirect Government contracts, as well as from other industrial sources.

Local manufacturers who are not now on the "bid lists" of the War Department or of the Navy Department and who desire to sell to the Government are urged to cooperate in the movement by listing with their usual banking connection what plant facilities are available for defense production, what articles or products they are now manufacturing or processing, and what kind of defense materials or products they would be interested in supplying.

A substantial part of defense orders placed in the fourth district will be on a sub-contract basis and the availability of information leading to unused production facilities of which there undoubtedly is considerable, will be particularly helpful. It will enable the National Defense Advisory Commission to locate quickly the source of any given item at any time and will assist primary contractors in obtaining parts which they require to fill their own contracts, especially when their demands are in excess of the capacity of their usual suppliers.

FINANCIAL

Commercial, industrial and agricultural loans of weekly reporting member banks in the fourth district increased \$4,000,000 between October 16 and November 13, compared with a \$6,000,000 decline in the corresponding period last year. Real estate loans of reporting member banks in this district rose \$2,000,000 during the period, in line with the persistent increase in such loans since the low point this year during the last week of May. Holdings of direct United States Government obligations fell \$11,000,000 during the four weeks ending November 13. This situation contrasts with that in other reserve districts where member banks have either maintained or increased their Government security portfolios in recent weeks. Fourth district member banks have partially offset the decline in their direct Government security portfolios by a \$6,000,000 increase in their holdings of securities fully guaranteed by the United States Government. Adjusted demand deposits of reporting member banks in the fourth district continued to mount, reaching \$1,530,000,000 in the second week of November.

Fourth district reserve bank credit declined approximately \$14,000,000 during the four weeks ending November 13 due almost entirely to open market sales of government securities by the System. Gold certificates on hand and due from the United States Treasury increased \$55,000,000. The other principal balance sheet changes were an expansion of \$14,500,000 in Federal Reserve note circulation and an increase of \$19,500,000 in member banks' reserve balances. During the month of October, excess reserves of member banks rose by more than \$14,000,000.

New Member Banks

Bank of Ohio Valley, Pittsburgh, Pennsylvania.
St. Clair Deposit Bank, Pittsburgh, Pennsylvania.
The Silverton Bank, Silverton, Ohio.

MANUFACTURING, MINING

Iron and Steel

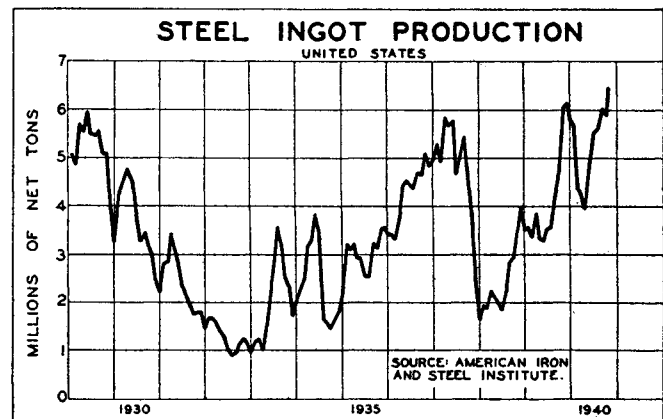
Nearly all major steel-consuming industries have contributed heavily to current steel buying. Mid-month indications were that more business had been received by mills early in November than during the corresponding October period. Automobile and truck manufacturers were ordering larger tonnages than in other recent weeks. Railroad purchases of both rails and rolling equipment also have become increasingly important lately; 12,195 freight cars were ordered during October, more than in any other month for a year. Tin plate, a slow-moving item since early in the year because of heavy inventories and a reduced food pack this fall, also has been in greater demand.

Most orders were for first quarter shipment at prices then prevailing, but a few smaller producers have quoted present prices on this business. Fourth quarter quotations on alloy tool steels have been reaffirmed. A price increase on pig iron was rescinded shortly after it was published.

Production of pig iron in October was at an all-time peak, both in total and on a daily average basis; 4,384,194 net tons were cast last month. There were 196 blast furnaces in operation on October 31; of these, 163 were dependent principally on Lake Superior iron ore. With the exception of May 1923, consumption of 6,051,347 gross tons was the heaviest since monthly data first became available in 1918. Ore receipts at Lower Lake ports during the month exceeded consumption by more than 4,000,000 tons, and inventories were increased accordingly. On November first, 41,125,450 tons were stored at furnaces and on Lake Erie docks, more than at any other time in three years.

Vessel movement was hampered by a severe storm which swept the Great Lakes on Armistice Day, but arrivals later in the month indicated that approximately 5,000,000 gross tons of iron ore would be received at Lower Lake ports during November. October shipments, amounting to 10,061,127 tons, were the best ever reported for that month.

Principally as a result of expanded schedules at Pittsburgh and Youngstown mills, national steelmaking operations during October averaged 96.1 percent of theoretical ingot capacity. Production of 6,461,898 net tons of open hearth and Bessemer steel was the best ever reported for a



single month, exceeding last November's record by more than five percent. Further improvement was reported weekly during November, some producers crowding furnaces beyond rated capacity. The *American Iron and Steel Institute* estimated operations at 96.6 percent for the final week of the month. A few mills closed finishing departments for Thanksgiving, but open hearth schedules were not curtailed.

While a labor dispute stopped work at one plant for several days in mid-November, operations at Pittsburgh mills reached an eleven-year high at 97 percent in the third week of the month. Actual production was the largest on record, considerable steelmaking capacity having been built in that territory since 1929. Schedules in Youngstown plants were advanced eight points to 93 percent from early October to late November. Wheeling operators held raw steel output steady at 97-98½ percent during most of that time, curtailing production late in the month to make furnace repairs. Steelmakers in the Cleveland-Lorain area also found it necessary to reline open hearths, and the operating rate declined four points to 86 percent. One producer in the Cincinnati territory resumed production the third week in November after an extended shutdown; mills there were scheduled at 97½ percent late in the month.

Coal

A high rate of industrial activity, a seasonal pickup in demand for domestic grades, and a longer work month combined to raise fourth district bituminous coal production during October to the highest level since January. Output increased less from September to October this year than in the recent past, but last month's production, amounting to 15,652,000 net tons, was four percent larger than September's. This was 12.3 percent less than October 1939 output. National production failed to expand seasonally from September to October, and the total for the month was 17½ percent smaller than that of a year ago.

Several independent operators early in October found it necessary to curtail production, and a few mines were closed. Later operations were resumed, but weekly production in the Ohio and Eastern Kentucky fields did not equal the tonnages reported in mid-summer when industrial consumers were stocking heavily in anticipation of higher prices. In Western Pennsylvania where there has been an increasingly large demand for blast furnace coke, more coal was mined during the second week of November than at any other time this year.

Supplies of both by-product and beehive oven coke have been limited. Several large steel companies have been buying coke in the open market for the first time since 1937. Since by-product oven production has not been large enough to meet blast furnace requirements, some interests are not selling coke, and prices on grades used for domestic heating have risen accordingly. In the Connellsville territory, more than 5,000 out of approximately 6,000 beehive ovens were in operation early in November. October production of beehive coke in Pennsylvania was 354,000 net tons; this compares with 271,800 tons made during September. Approximately 2,025,000 tons of beehive coke were produced during the first ten months of the year, 2 2/3 times as much as during the corresponding 1939 period.

During October, 4,971,808 net tons of bituminous coal were shipped from Lake Erie ports, less than during any other full month of the present navigating season. Industrial consumers, especially those in the Detroit River area,

continued to increase stocks during November, and loadings exceeded 1,000,000 tons per week until mid-month. Principally as a result of unusually heavy shipments early in the summer, total loadings so far this season have exceeded those for any full year for which data are available. By November 18, 45,537,747 tons had been loaded; the previous record of 45,440,696 tons was established in 1936.

Automobiles

Automobile manufacturers continued to expand assembly schedules during October and the first weeks of November. Even the short Thanksgiving week was partly compensated for by an increased average daily output. Formal show presentations of new models were held in mid-October; in years prior to 1939 shows were held in November or later. More significantly, change-overs were made earlier this year than ever before, and most companies actually introduced cars some time in advance of the national shows. Retail demand has been brisk, and production schedules were adjusted accordingly. Stocks in warehouses and on dealers' floors apparently have been increased less rapidly after new model introduction this year than in the recent past. Inventories early in November were not so large as those held late last spring.

According to the *Department of Commerce*, 493,223 passenger cars came off assembly lines last month. This total is larger than that for any other month since June 1937 and the best for any October on record. Factory sales increased 87.6 percent from September to October and last month's total was 67.3 percent greater than that of a year ago. Since less emphasis is placed on year-to-year changes in truck designs, gains in that classification were not so large percentage-wise. October production of 72,009 units was the best for any month this year; 44,638 trucks were built during September, and 61,573 during October 1939. Comparisons of this quarter with a year ago are affected by the fact that approximately one-fourth of the industry's production capacity was closed for seven weeks during October and November 1939 by a strike.

Principally as a result of earlier introduction of new models, retail deliveries last month were the largest for any October on record. In eight major Ohio counties, 12,672 new automobiles were registered during October, 48 percent more than during the same month a year ago.

Automotive parts and accessories manufacturers in this district have reported some pressure to meet delivery dates. October shipments, even of those companies unaffected by the strike last year, were substantially larger than those of a year ago. More workers were employed at the end of October in Ohio automotive parts plants than at any other time in three years.

Rubber and Tires

The steady rise in crude rubber consumption which has been reported regularly since May was extended further during October. Increasing twelve percent from the previous month, October consumption of 56,477 gross tons was the second largest since monthly data first were published in 1925. A year ago, 57,155 tons were used by manufacturers in this country.

More crude rubber was imported during the first ten months of 1940 than during any full year in history. The cumulative total of 646,851 tons exceeded the record established in 1937 by 46,374 tons. Although October imports

were five percent smaller than September's, they were the second largest ever reported. As a result of continued heavy receipts, stocks in the United States expanded to the highest level in two years. Included in October 31 inventories of 259,104 tons were 63,568 tons of crude rubber brought here under terms of the cotton-rubber barter agreement and for the defense pool.

Reflecting expanded production at automobile assembly plants, original equipment tire shipments rose 58½ percent from September to October. Last month's sales of 2,322,313 casings were 30 percent larger than those of a year ago. October export shipments, amounting to 140,025 units, were the best for a year.

Factory sales of replacement tires increased contraseasonally last month; 3,098,371 casings were shipped during October, five percent more than during September. Tire manufacturers announced spring-dating terms somewhat earlier this year than in the recent past. In order to stabilize factory employment, tire makers for many years have encouraged distributors and dealers to buy replacement casings during the winter months when consumer demand usually is small. Tires are shipped at guaranteed prices and bills are dated for spring payment.

According to a *Department of Commerce* survey, tire distributors on October 1 held 7,270,000 casings in stock, 411,000 more than a year before. The unusually large inventories of July 1 had been reduced by 789,000 units during the third quarter. While all classes of distributors disposed of stocks during that period, greatest reduction was in inventories held by chain stores.

Sales of mechanical rubber goods continued to increase during October and early November. Some manufacturers reported that the amount of new business received during the first weeks of November exceeded the large volume booked a year ago.

Textiles and Clothing

Wool top prices advanced steadily during October, quotations on spot wool rising 20 cents per pound to \$1.36½ before supplies were practically exhausted late in the month. Since October 30 there has been comparatively little new business in domestic wool, and daily spot quotations have not been published. Permission to use foreign wool for defense orders was granted early in November, thus broadening the source of supply and permitting mills specializing in the weaving of imported fibers to participate in the national preparedness program. In late November, bids on more than 13,250,000 yards of wool textiles were called for by the Army and by the Civilian Conservation Corps, and prices on foreign wool rose as weavers covered requirements for both this work and civilian consumption. Subsequently there was some decline.

Heavy Government demand for wool goods has absorbed approximately 30-40 percent of weaving capacity, and immediate or near-by delivery on a wide variety of fabrics has been difficult to obtain. Wholesale cloth prices have risen accordingly; the *New York Wool Top Exchange Service* in mid-November estimated that the market was up on an average of 35 cents per yard for cloth made of wools similar to those used in defense orders. Mills working on Government contracts were reported to be scheduled until after the holidays. Some weavers of cloth for civilian uses held orders which would maintain near-capacity operations

through February. A few clothing manufacturers have purchased 80 to 85 percent of their estimated spring season cloth requirements rather than only 60-70 percent as has been the usual practice.

Fourth district garment factories in late October started production of spring merchandise for December shipment. Orders were substantially larger than those of a year ago. Heavy-weight fall merchandise has been reordered in sizable amounts. This business and advance orders for spring suits and topcoats appeared sufficiently large to keep many needlework shops busy throughout the first quarter of 1941.

New business received by overall and rough cotton garment manufacturers during October and early November was larger than that booked at the same time last year. Consumers were placing fairly substantial orders for future delivery, thereby assuring continuation of current operating schedules for some time. Production was closely in line with the volume of incoming orders. Completion of some Army and Navy contracts resulted in somewhat larger shipments.

Employment at Ohio textile mills and needlework shops increased slightly during October. The contract between Cleveland manufacturers and textile workers was automatically renewed in mid-November.

Other

Manufacturing Sizable volume of new business was booked by most other manufacturing industries in the fourth district during October. Many concerns were producing near capacity on the basis of single shift operations; some industries, notably machine tools and foundries, were working three shifts and overtime.

Machine tool production in October was double that of a year ago and the industry's operating index, as reported by the *National Machine Tool Builders' Association*, moved to a new all-time high at 96.8. Production capacity, measured as percentage of peak output, in terms of payroll hours of all members of the association, expanded still further during the month. At the end of October, capacity was 50 percent greater than in September 1939, and additional plant expansion programs have been announced by several companies. Many manufacturers also have increased production by sub-contracting parts to machine shops. Demand for machine tools has continued to grow, and new orders have been received in unprecedented volume, extending deliveries still further. Builders generally will not quote prices beyond four months; a few have written clauses in short-term contracts which protect them against more than a ten percent rise in labor and material costs.

Bolt and nut producers in mid-November were working at about 85 percent of capacity. Not since early 1937 had demand been so heavy, jobbers and consumers apparently purchasing for inventory. Deliveries were extended from two to three weeks. Continuing one shift operations, some fourth district plants were scheduled for the remainder of the year.

Total sales reported by members of the *Foundry Equipment Manufacturers' Association* reached an all-time peak in October. After declining for two consecutive months, the index of new and repair orders rose to 264 percent of average monthly sales during 1937-39. There were some indications that consumers were buying in anticipation of need. Heavy hardware manufacturers also noted evidences that customers were purchasing considerably further ahead

as a result of slow deliveries. Incoming orders were greater than shipments, and backlogs were large enough to maintain current operations about ninety days.

New business received by electrical equipment manufacturers continued to outstrip production during October and early November, backlogs expanding further to unprecedented levels in some lines. Demand was greatest for heavy apparatus and equipment; orders for heating devices and domestic appliances were not so large. Consequently, production schedules of plants manufacturing these items were more dependent upon receipt of new orders, although many were working near capacity early in November preparing to supply the holiday trade.

Production of plate and window glass increased considerably during October, and mid-November indications were that more plate glass would be made this month than last. Principal plate glass demand has been for new automobiles and mirror manufacture, but some orders for bullet-proof glass have been received, and demand for structural glass has increased. More window glass making facilities were in operation in mid-November than at any other time since January. Consumers generally appeared to be buying only for near-by needs. Exports to Canada have been large. Manufacturers in mid-November reported that current operations probably would be maintained until the end of the year.

Plants making both hand and machine blown and pressed glassware have been operating near capacity recently, and some companies have unfilled orders large enough to sustain current production schedules for about ninety days, partly as a result of Government contracts for defense items. In other recent years operations have been curtailed shortly before the holidays.

China and tableware manufacturers have experienced some difficulty in meeting delivery requirements, customers requesting immediate shipment. New orders have continued to run ahead of production, and sizable backlogs have been maintained. In mid-November, indications were that most potteries would be operating practically at capacity for the remainder of the year. Some additions to production facilities have been announced for completion early next spring.

Improvement in operations at paper mills was evident in October and early November, larger mills in the fourth district reporting slightly greater-than-average gains over a year ago. Sales, while better than during the previous month, were not so large as last October's. Consumer sentiment seemed against forward buying since the price structure has been unstable. Little change from a month ago was noted in production schedules at paperboard plants. A few mills held unfilled orders which would maintain operations for three or four weeks. Commercial orders for wrapping paper and boxes showed no marked upturn despite expectations of heavy Christmas trade.

The volume of new business received by office furniture and equipment manufacturers during October was considerably in excess of that obtained during September or a year ago, and there was but little slackening in demand early in November.

Shoe salesmen started on the road with spring merchandise early in November. According to first reports, retailers were buying larger amounts this year than last, showing some concern about probable higher prices. Quotations on leather strengthened considerably during the first weeks of November, but many manufacturers held several months'

supply of standard materials and did not advance prices materially on women's shoes. In the fourth district, production was curtailed more than seasonally during October while there was fractional improvement in national output. Most plants in this area are not equipped to manufacture heavy footwear such as is required by the Army which has placed large orders for near-by delivery.

Further increase in rayon yarn shipments during October reduced producers' inventories to 6,800,000 pounds at the month end, less than one week's supply at the October shipping rate of 36,900,000 pounds per month. Not since late 1939 had stocks been so small.

TRADE

Retail

October sales of fifty-two reporting department stores over those of October 1939. Akron and Erie showed the largest gains, nine percent in each case; while Wheeling sales alone registered a decline. Cumulative sales during the period February through October 1940 were well above those for the corresponding period in 1939 in most cities, almost 10 percent above in the case of Pittsburgh.

Collections reflected increased employment and payrolls, rising 13 percent over those of October last year. The ratio of October collections to accounts receivable outstanding at the end of September was 37.4 percent, practically the same as a year ago. There was but little change in the ratio of credit sales to total sales in October as compared with either September or a year ago.

Basement store sales of department stores were six percent larger than those of October 1939. The ratio of these sales to total store sales was 17.5 percent, about the same as last year.

Wearing apparel sales for the district in October were four percent lower than those of a year ago, but the cumulative total of February through October was still slightly above that for the same period last year. Accounts receivable in wearing apparel stores during October were turning over at a rate of about once every three months. Stocks were seven percent larger this October than last. Retail furniture sales were two percent greater than those of last October for the district, with Columbus being the only principal city to show a decline. Retail furniture collections in the district were up 14 percent from October 1939.

While October chain drug store sales were off one percent from the September figure, they were seven percent above sales of October 1939. Chain grocery trade in the fourth district per unit operated showed a substantial increase of 13 percent over September and of 16 percent over October a year ago. Cumulative chain grocery trade during the January-October period of this year was eleven percent greater than that of the same period last year.

Wholesale

From January through October cumulative sales of fourth district wholesale firms reporting to the *Bureau of the Census* were 7.5 percent above sales for the corresponding period of 1939. October of this year was a better sales month than the same month last year in nearly all wholesale lines, but particularly in heavy hardware which showed a 30 percent increase, in plumbing and heating supplies which showed a 25 percent increase, and in machinery, equipment, and supplies which showed a 52 percent increase. Hardware stocks at the end of October were down four percent from those of a

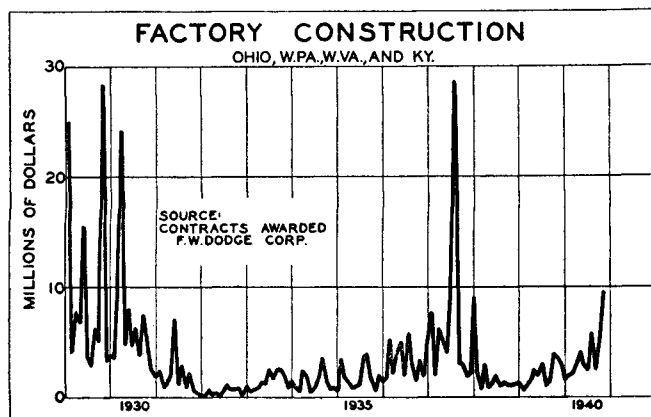
year ago, but rose two percent above those held at the end of September. Wholesale dry goods sales were 15 percent lower in October than during the same month last year and down three percent from September sales. Stocks were almost ten percent lower than a year ago. Wholesale grocery sales in October were eleven percent above those of last year, but inventory was eight percent smaller.

CONSTRUCTION

Impact of the defense program on the construction industry was shown in value of contracts awarded during October for erection of manufacturing buildings in the fourth district. Awards for the month were the largest for any month since July 1937 and the best for any October in eleven years. In fact, two and a half times as much factory construction was started during October as in the same month a year ago. More than half of all contracts awarded in this district were for erection of manufacturing buildings in the Cincinnati area where October awards of approximately \$5,000,000 were seven times those of the previous month and twelve and a half times those of October 1939. Gains over both the month before and a year ago also were reported during October in the Cleveland territory. While factory construction awards in the Pittsburgh region were larger this October than last, value of contracts was less than during September.

Considerable improvement in the amount of residential building also was evident in the Cincinnati territory, October awards being 30 percent larger than September's and 47 percent greater than those of a year ago. One-family dwellings for rent or sale accounted for approximately 40 percent of the total, but proportionately there was less speculative building than in other recent months. In the entire fourth district, residential contract awards were the best for any October since 1928 and fractionally larger than those for September.

Heavy demand for lumber from both Government agencies and private builders has resulted in higher prices and some depletion of stocks. Continued advances in prices of lumber and paint and paint materials and an initial increase in the price of millwork featured building materials markets during October and early November. Some lumber dealers in the fourth district late in the month reported that seasoned stocks of rough lumber were small and inventories of certain furniture woods were exhausted. Retailers did not appear to be buying heavily for stock in face of higher prices and approaching winter.



AGRICULTURE

In the fourth district, most late field crops turned out somewhat better than expected, and November 1 estimates of corn, tobacco, potatoes, and sugar beet production were raised. Prospects for soybeans declined. Harvest of pears also was larger than indicated earlier in the season, but yields of apples and grapes fell below expectations. Mild open weather until mid-November in many sections of the district extended the grazing season, pasture conditions averaging better than 80 percent of estimated normal in most of Ohio and Pennsylvania.

The number of lambs fed on Ohio farms during the 1940-41 feeding season probably will be larger than in the 1939-40 season, according to the *Agricultural Marketing Service*. Shipments of feeders into the State continued to increase during October, whereas they declined at that time a year ago.

Slaughter of hogs during October was the largest on record for that month, amounting to 4,482,818 head. This compares with the previous high of 4,327,951 head butchered in October 1923.

Corn Uneven ripening of the corn crop which resulted in both sound and immature ears in the same field has delayed husking somewhat. In general, however, the 1940 crop appeared to be of comparatively good quality despite damage from drought and early frost. Husking returns indicated larger yields per acre than expected, and fourth district production on November 1 was estimated at 159,066,000 bushels, six percent more than was forecast a month earlier, but 25 percent less than was harvested last year.

Tobacco As cutting progressed it appeared that the drought which prevailed over much of the fourth district tobacco producing area was not nearly so detrimental to the crop as seemed to be the case during the growing season. Late rains and an open fall prolonged growth and added both size and weight to leaves. Accordingly, estimates for both Kentucky burley and Miami Valley cigar filler were raised from October to November, yields per acre averaging about 835 pounds. Last year's harvest averaged better than 900 pounds, but the 1929-38 average crop yielded only about 795 pounds per acre.

Weather throughout the burley belt during October and November was excellent for curing the crop and that portion moving to market late in the month was well colored. Lexington markets will open December 2 and others a day later under regulations adopted by growers a year ago. Late in November planters voted to renew marketing quotas for three years. The new contract will base parity payments on the 1934-39 period rather than the 1919-29 one as in the past.

Potatoes Although frost damaged some of the Pennsylvania crop, weather conditions generally were favorable for harvesting the late potatoes. Yields per acre were better than anticipated, and this year's indicated production was the largest since 1936.

Sugar Beets Ohio sugar beet yields have proven better than expected earlier in the season. Wet weather in June caused many fields to be replanted, and drought later affected growth somewhat adversely. Conditions during the fall were favorable, and estimated yields were raised to 8½

net tons per acre. This year's indicated crop of 366,000 tons was the best ever reported. Some beets were still in the ground on November 1.

Soybeans Soybeans have failed to mature as anticipated, and the Ohio harvest was placed at 8,381,000 bushels by the November 1 *Crop Report*. Last year's production totaled 9,681,000 bushels.

Wheat Acreage seeded to winter wheat this autumn has been estimated by independent crop reporters to be about two percent larger than last year's.

Late Fruits Grapes were harvested later than usual this year. Frost in mid-month damaged fruit still on the vines, resulting in low prices for that portion of the crop sold for juice purposes. End-of-season indications on November 1 pointed to a near-average commercial apple crop in the fourth district, but this year's yields were markedly lower than those of a year ago. The pear crop also was smaller this year than last, but larger than average.

Fourth District Business Statistics

(000 omitted)

	October 1940	% change from 1939	Jan.-Oct. 1940	% change from 1939
Fourth District Unless Otherwise Specified				
Bank Debits—24 cities	\$2,702,000	+10.4	24,444,000	+14.3
Savings Deposits—end of month:				
40 banks O. and W. Pa.	\$ 780,570	+ 0.9	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 85,721	+ 6.8	795,095	+ 4.8
Retail Sales:				
Dept. Stores—52 firms	\$ 25,287	+ 5.0	213,113	+ 8.2
Wearing Apparel—12 firms	\$ 987	- 3.9	8,192	+ 1.3
Furniture—38 firms	\$ 949	+ 2.0	9,113	+16.5
Building Contracts—Total	\$ 38,198	+29.6	319,054	- 0.3
—Residential	\$ 16,835	+29.2	149,816	+24.7
Commercial Failures—Liabilities	\$ 552	-59.1	9,802	-13.2
—Number	51 ²	- 1.9	565 ²	-15.0
Production:				
Pig Iron—U. S. net tons	4,384	+ 7.9	37,901	+40.8
Steel Ingot—U. S. net tons	6,462	+ 6.3	52,663	+32.9
Auto—Passenger Car—U. S.	421,214 ²	+67.3	2,888,706 ²	+30.8
—Trucks—U. S.	72,009 ²	+16.9	609,729 ²	+ 7.8
Bituminous Coal, O., W. Pa., E. Ky.	15,652	-12.3	145,150	+27.6
Cement—O., W. Pa., W. Va. bbls.	1,545	+13.9	11,111	+16.7
Elec. Power, O., Pa., Ky.				
Thous. k.w.h.	1,857 ³	+10.3	16,598 ⁴	+14.0
Petroleum—O., Pa., Ky. bbls.	2,037 ³	- 2.0	19,424 ⁴	+ 0.7
Shoes—U. S. pairs	5	-28.5	5	-14.0
Tires, U. S. casings	5,561	+ 7.8	48,945	+0.9
Bituminous Coal Shipments:				
Lake Erie Ports net tons	4,972	-21.0	42,992	+27.3

¹ not available ⁴ January-September
² actual number ⁵ confidential
³ September

Wholesale and Retail Trade

(1940 compared with 1939)

	Percentage Increase or Decrease		
	SALES October 1940	SALES first 10 months	STOCKS October 1940
DEPARTMENT STORES (52)			
Akron	+ 8.6	+ 7.2	+ 3.7
Cincinnati	+ 4.7	+ 8.9	+ 4.7
Cleveland	+ 5.6	+ 7.7	+ 1.5
Columbus	+ 2.6	+ 7.5	+ 6.3
Erie	+ 8.5	+ 9.2	+ 0.9
Pittsburgh	+ 5.2	+ 9.7	+ 3.6
Toledo	+ 2.6	+ 5.2	+ 4.4
Wheeling	- 6.1	+ 1.7	- 3.0
Other Cities	+ 5.0	+ 8.9	+ 3.2
District	+ 5.0	+ 8.2	+ 3.2
WEARING APPAREL (12)			
Cincinnati	- 6.6	+ 2.5	+ 9.7
Cleveland	- 1.6	+ 0.6	+ 9.4
Pittsburgh	+ 0.1	+ 2.2	- 2.2
District	- 3.9	+ 1.3	+ 7.4
FURNITURE (38)			
Cincinnati	+10.3	+ 9.2	
Cleveland	+ 2.5	+19.1	
Columbus	-17.7	+ 3.9	
Dayton	+ 3.4	+15.0	
Toledo	+30.6	+19.0	
Other Cities	+ 3.8	+23.6	
District	+ 2.1	+16.5	
CHAIN STORES*			
Drugs—District (5)	+ 7.4	1	
Groceries—District (4)	+15.9	+11.4	
WHOLESALE TRADE**			
Automotive Supplies (11)	+13.8	+17.6	+ 6.9
Beer (7)	+ 6.0	+ 2.6	+30.8
Clothing and Furnishings (5)	+ 8.2	+ 5.0	1
Confectionery (3)	+ 4.7	+ 2.4	1
Drugs and Drug Sundries (9)	+10.6	+ 2.5	+ 3.7
Dry Goods (5)	-14.6	+ 5.9	- 9.8
Electrical Goods (16)	+ 4.1	+17.6	+ 5.2
Fresh Fruits and Vegetables (7)	+ 5.7	+ 3.3	+ 5.4
Furniture & House Furnishings (4)	- 9.9	1	+14.5
Grocery Group (53)	+11.0	+ 2.0	- 8.2
Total Hardware Group (39)	+14.0	+14.3	- 3.8
General Hardware (8)	+ 6.3	+ 8.1	- 2.8
Heavy Hardware (4)	+29.5	1	1
Industrial Supplies (15)	+11.6	+22.0	- 7.8
Plumbing & Heating Supplies (12)	+25.3	+18.2	+ 4.4
Jewelry & Optical Goods (9)	+13.6	1	1
Machinery, Equip. & Sup. (exc. Elect.) (5)	+51.6	1	-18.3
Meats and Meat Products (4)	+13.1	+ 6.1	-17.1
Metals (3)	-11.6	1	1
Paints and Varnishes (6)	+ 0.8	+ 1.9	- 6.2
Paper and its Products (7)	- 9.1	+10.3	+13.3
Tobacco and its Products (18)	+15.7	+ 5.5	- 8.9
Miscellaneous (12)	+ 2.9	+13.5	+26.2
District—All Wholesale Trade (227)	+ 7.4	+ 7.5	+ 1.9

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

Fourth District Business Indexes

(1923-25 = 100)

	Oct. 1940	Oct. 1939	Oct. 1938	Oct. 1937	Oct. 1936
Bank debts (24 cities)	100	90	80	97	94
Commercial Failures (Number)	35	36	57	45	31
(Liabilities)	13	31	22	35	15
Sales—Life Insurance (O. and Pa.)	89	83	69	89	90
—Department Stores (48 firms)	97	98	87	104	98
—Wholesale Drugs (9 firms)	137	124	114	119	113
—Dry Goods (5 firms)	65	77	52	62	69
—Groceries (53 firms)	80	72	71	80	84
—Hardware (35 firms)	107	96	80	102	106
—All (102 firms)	87	80	74	86	89
—Chain Drugs (4 firms)**	103	96	98	94	98
Building Contracts (Total)	80	62	69	36	47
(Residential)	98	76	46	44	44
Production—Coal (O., W. Pa., E. Ky.)	87	99	73	85	98
—Cement (O., W. Pa., E. Ky.)	123	113	100	94	109
—Elec. Power (O., Pa., Ky.)*	221	200	181	190	180
—Petroleum (O., Pa., Ky.)*	110	113	119	133	125
—Shoes	84	118	111	90	118

*September.
 **Per individual unit operated.

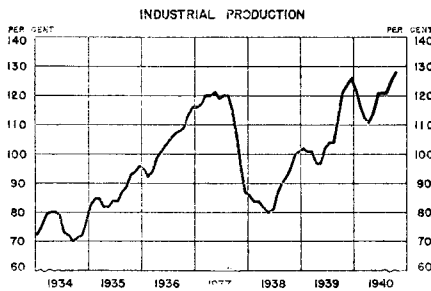
Debts to Individual Accounts

(Thousands of Dollars)

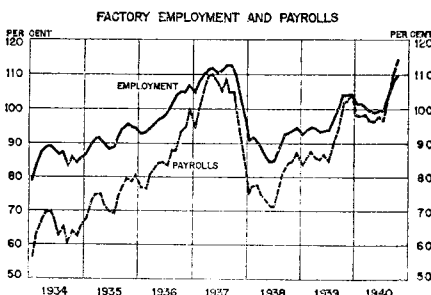
	5 Weeks ended Nov. 20, 1940	% change from 1939	Year to Date Dec. 28, 1939 to Nov. 20, 1940	Year to Date Dec. 29, 1938 to Nov. 22, 1939	% change from 1939
Akron	91,315	+ 9.9	808,360	709,857	+13.9
Butler	12,844	+ 5.9	107,794	98,048	+ 9.9
Canton	54,265	+17.9	433,061	375,282	+15.4
Cincinnati	430,920	+ 4.9	3,663,267	3,427,995	+ 6.9
Cleveland	822,948	+ 9.8	6,896,616	6,018,013	+14.6
Columbus	225,342	+10.0	2,001,984	1,834,618	+ 9.1
Dayton	92,858	+18.4	789,790	681,584	+15.9
Erie	36,233	+ 7.9	324,232	286,903	+13.0
Franklin	4,139	+17.9	34,648	30,292	+14.4
Greensburg	8,873	- 0.2	85,615	72,231	+18.5
Hamilton	14,993	+10.9	127,996	115,924	+10.4
Homestead	4,499	+13.1	39,834	34,121	+16.7
Lexington	25,142	+ 4.6	249,929	243,873	+ 2.5
Lima	19,050	+11.5	163,174	144,920	+12.6
Lorain	6,903	+10.5	61,005	53,898	+13.2
Middletown	15,015	+ 4.4	131,851	113,398	+16.3
Oil City	11,579	- 5.6	112,185	104,389	+ 7.5
Pittsburgh	876,126	+ 5.5	7,868,035	6,727,943	+16.9
Sharon	11,383	+ 7.8	96,551	87,012	+11.0
Springfield	22,624	+15.6	190,828	181,485	+ 5.1
Stuebenville	12,930	- 1.6	110,989	102,676	+ 8.1
Toledo	177,037	+15.1	1,420,173	1,270,236	+11.8
Warren	15,627	+19.7	122,087	104,356	+17.0
Wheeling	36,001	+ 1.1	309,138	310,827	- 0.5
Youngstown	67,436	+ 4.8	574,201	499,266	+15.0
Zanesville	11,225	+13.7	96,790	87,793	+10.2
Total	3,107,307	+ 8.1	26,820,133	23,716,940	+13.1

Summary of National Business Conditions

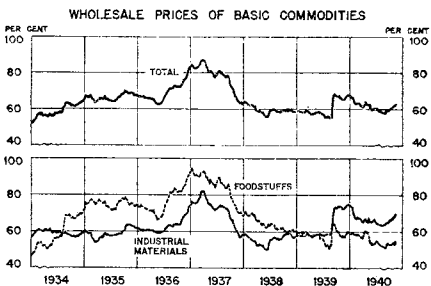
By the Board of Governors of the Federal Reserve System



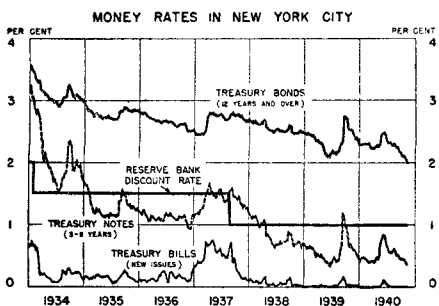
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to October 1940. Latest figure 128 (preliminary).



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1940. Indexes compiled by the United States Bureau of Labor Statistics. Latest figures—Employment 109.9, Payrolls 114.2



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending November 7, 1940. Latest figures—Total 62.7, Foodstuffs 54.9, Industrial materials 69.7.



For weeks ending January 6, 1934, to November 9, 1940. Latest figures—Treasury bonds 2.00, 3-5 year Treasury notes 0.35, 90-day Treasury bills (new issues) 0.003, Reserve bank discount rate 1.00.

Industrial output rose sharply in October and the first half of November and prices of basic commodities advanced further. New orders both for defense purposes and for civilian needs continued in large volume.

Production

Volume of industrial production, as measured by the Board's seasonally adjusted index, rose further in October to about 128 per cent of the 1935-1939 average as compared with 125 in September and 126 at the peak reached last December.

Increases in output were marked in the automobile and textile industries. In the rayon industry, where production in September had been curtailed by a strike, activity increased considerably and cotton textile mills were also more active. Mill sales of cotton goods have been large since the middle of August, reflecting increased civilian and military demand, and have been in excess of production during most of this period. At wool textile mills, where activity had risen sharply in September, there was a further increase in October. Backlogs of orders in this industry are now of considerable size owing to a large volume of orders received during the past two months, particularly from the Government.

In the steel and machinery industries activity continued at a high rate in October. In the first half of November steel ingot production advanced slightly further and was at about 96 per cent of capacity. This high rate of output is expected to be maintained for some time to come, according to trade reports, as new orders for steel have continued large. Lumber production, which had risen sharply since mid-summer, declined less than seasonally in October. New orders for lumber were somewhat below the high rate of August and September but remained above production, reflecting in part continued Government demands.

Bituminous coal production declined sharply in October but in the first half of November showed some increase. In this industry output had been maintained in large volume during the summer owing in part to considerable stocking of coal in anticipation of higher prices. Anthracite production also declined in the first half of October but rose sharply in the latter part of the month owing in part to seasonal influences. Crude petroleum production, which had been curtailed during most of the summer, increased further in October.

Value of construction contract awards increased in October, following a decline in the previous month, according to figures of the *F. W. Dodge Corporation* and the Federal Reserve Bank of San Francisco. Changes in the amount of contract awards in recent months have reflected principally fluctuations in contracts for public projects.

Distribution

In October department store sales declined considerably from the advanced level of the two preceding months, while sales at variety stores, which also had been large in August and September, increased seasonally. In the early part of November department store sales increased somewhat.

Total loadings of revenue freight in October were maintained at about the level reached in September. Shipments of miscellaneous merchandise increased further, while loadings of coal showed a sharp decrease. In the first week of November freight-car loadings declined by less than the usual seasonal amount.

Wholesale Commodity Prices

Prices of basic commodities continued to advance from the middle of October to the middle of November, with the chief increases in industrial materials, particularly lead, hides, wool, and textile yarns.

Bank Credit

Total loans and investments at reporting member banks in 101 leading cities have increased substantially since the end of September. Commercial loans showed sizable increases both in New York City and in other leading cities. Following reductions during August and September, holdings of United States Government obligations at these banks also increased. Federal Reserve System holdings of Government obligations were reduced by \$180,000,000 between September 25 and November 13.

United States Government Security Prices

After rising moderately during the latter part of October prices of United States Government securities advanced sharply in the early part of November. The quotation on the 1960-65 bonds reached a new high level at about 110 $\frac{1}{4}$, and the yield on this issue declined to 2.12 per cent compared with 2.25 per cent in October and 2.26 per cent in June, 1939, and again in April, 1940. The average yield on 3 to 5 year Treasury notes declined to less than $\frac{1}{2}$ of 1 per cent.