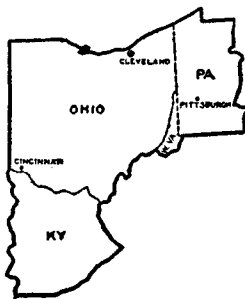


# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

Vol. 22

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No. 12

Developments in the European war, anticipation of full impact of national preparedness upon our domestic economy, and the defense program dominated American industrial affairs during much of 1940. Manufacturing activity expanded to record levels late in the year after touching a low point in early spring. Most immediately affected by the program, which looks toward the creation of a huge domestic defense machine while supplying Great Britain with large quantities of goods, were metal-producing and metal-working industries, which are very important in the Fourth Federal Reserve District. In relation to this region's productive capacity, however, comparatively few *direct* Government orders have been awarded to manufacturers here. Their position, even in ordinary times, is principally that of subcontractors. As a consequence, indirect results of preparedness became most evident in this district as consumers ordered not only equipment and materials to manufacture defense items, but also ordinary supplies in anticipation of actual nearby requirements. In many instances new business has been in excess of production, and the volume of unfilled orders has increased substantially. At the same time, accompanying the rise in output, there has been an increase in inventories, particularly in the form of goods in process. Were there less assurance that the program would not be relaxed until successfully completed, the rise in inventories might occasion concern; under current conditions, attention is focused primarily on problems involved in increasing output in industries most closely related to the defense program.

Steelmaking operations were curtailed markedly early in February, contraction continuing until May, when the capitulation of France emphasized British dependence upon American industrial production. Export business increased in importance until by the year-end it accounted for more than one-fifth of total steel production. Coincident with this expansion, there was improvement in domestic demand, and operating rates were advanced to near the practical limits of ingot capacity. The record steel production of 1929 was surpassed in 1940.

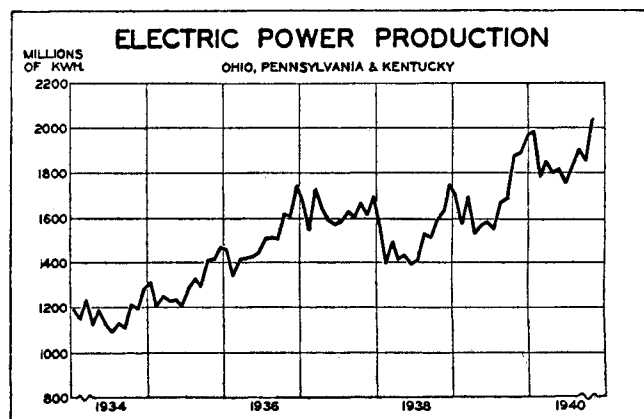
Introducing new models earlier than ever before, automobile manufacturers stepped up assembly schedules more rapidly after the 1940 changeover period than in the recent past. By late December, it became evident that domestic output during 1940 would approximate the 1936 total and be exceeded only by production in 1929 and 1937. Retail automobile demand remained brisk throughout 1940, there

being only momentary hesitation in mid-May at the time of the French collapse.

The machine tool industry has been one primarily affected by European war and national preparedness. To the sizable amount of foreign business, for British account since the fall of France, has been added an increasingly large volume of domestic demand from companies tooling up for defense work. Since September 1939, the industry has enlarged its productive facilities considerably, and operations have been expanded to all-time peaks. Value of shipments made during 1940 has been estimated to be double that of 1939, the previous record year.

Reflecting expanded industrial activity and record shipments to upper Great Lakes' ports, fourth district bituminous coal production during the first eleven months of 1940 exceeded output for the previous full-year by eleven percent. Electric power production in fourth district States, as is indicated in the accompanying chart, reached an all-time peak in October, the last full month for which data are available. Since that time, successive new national weekly records have been established. Improvement has been greatest in the central industrial states, which include primarily those in this district.

Activity in the construction field increased sharply after mid-year, and the value of contracts awarded in the fourth district was more than for any other year in a decade. Features of fourth district construction during 1940 were the increased amount of single-family home building for owner-occupancy, and the larger proportion of total construction that was privately owned.



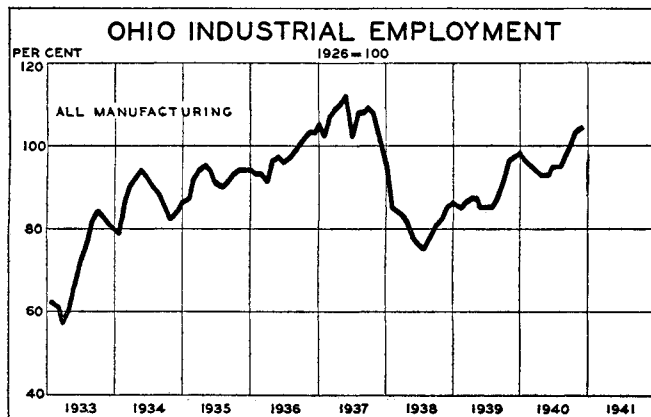
There was considerable improvement in employment during 1940. The index of Ohio industrial employment rose sharply during the fourth quarter, as is shown in the accompanying chart. At 104, the November index was twelve percent above the low point of the year in April and May, though five points under the 1937 peak. Payrolls at both Ohio and Western Pennsylvania plants have been increased more rapidly than working forces, indicating higher wage rates and payment for considerable overtime. Partially as a result of these gains, retail trade in the fourth district remained above the previous year during most of 1940. After declining contraseasonally in October, the adjusted index of department store sales in November rose to 108 percent of the 1923-25 average, the highest point since September 1929. Moderate improvement over a year ago was reported weekly during December, giving evidence that the 1940 holiday trade was the best in more than a decade. Cumulative totals for the eleven-month period showed that 1940 sales were running nine percent above those of 1939 and fifteen percent above those of 1938.

### FINANCIAL

**Reserve Bank Credit** Bills discounted by the Federal Reserve Bank of Cleveland for member banks in the fourth district did not increase in recent weeks as is customarily the case at this season of the year when demand for currency expands. There has been little change in the small volume of bills discounted for the past several weeks. Industrial advances continued to decline at a moderate rate. Government security holdings were further reduced in the four latest weeks by approximately \$5,000,000, the reduction being this bank's proportionate share of the System's open market operations. Holdings of Government securities have declined \$34,000,000 from the mid-year peak, a little more than ten percent of the contraction in the System's Government securities holdings.

The pre-holiday rise in currency in circulation began a week earlier this year than is usually the case and was somewhat greater than in recent past years, including 1937. On December 18, the last reporting date prior to Christmas, total note circulation of this bank was \$540,000,000, the largest ever reported, and \$70,000,000 in excess of a year ago.

This increased demand for currency was largely responsible for the decline of over \$30,000,000 in member bank reserve deposits in the five weeks ended December 18. Total reserve deposits on the latest date, however, were \$244,000,000 larger than they were a year ago and, allow-



ing for the recent seasonal contraction, reserve deposits were at record-high levels. Excess reserve balances of member banks in this district were at a daily average figure of \$520,000,000 in late November, an all-time high.

**Member Bank Credit** Conversion of at least part of these excess reserves into earning assets is the major problem of commercial banks at this time. There has been a rather persistent increase in commercial, industrial, and agricultural loans throughout the year with a more rapid rise since September when business activity generally expanded quite sharply. Increased bank activity resulting from this country's defense program has been reflected in commercial loans only to a moderate extent, those for defense financing largely offsetting other commercial loans which have been paid up.

Holdings of United States Government securities, direct and fully guaranteed, by weekly reporting member banks were three percent, or \$30,000,000, smaller in late December than they were at the beginning of the year. This is contrary to the experience at all reporting member banks of the country whose investments in Government securities rose approximately ten percent during 1940. Member banks in this district also reduced their holdings of other securities, while banks in other sections of the country increased holdings of such securities by nearly ten percent. The increase in total credit extended by banks in this district in the past year was in the form of loans, whereas in the entire country the greater share of the increase was in the form of investments, although total loans did expand somewhat.

A comparison of interest rates charged customers of leading banks in Cleveland, Pittsburgh, and Cincinnati during the first fifteen days of December 1940 with the corresponding period in the previous year indicates that the unusually low level of interest rates in the open market has had some effect on the customers' loan rate. Whereas in the first two weeks of December 1939 approximately 40 percent of the volume of loans made by these thirteen banks carried a rate of less than two percent, almost 53 percent of the amount made by the same banks in the corresponding period of 1940 were on a less than two percent basis. During the 1940 two-week period, 75 percent of the loan volume carried a rate of less than four percent, while a year before only 65 percent was in this rate category. These figures may be significant in view of the suggestion made recently that four percent should be regarded as an upper limit on loans to bank customers borrowing for work on defense contracts. Over six and a half million dollars more was loaned by these thirteen banks during the first two weeks of December 1940 than in the same period a year earlier, although the number of borrowers declined.

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

Rate of Interest	Dec. 1-15, 1940		Dec. 1-15, 1939	
	Amount	Number	Amount	Number
0-.9	1,700	9	150	4
1.0-1.9	11,970	47	7,458	32
2.0-2.9	3,040	51	1,875	47
3.0-3.9	2,741	127	3,024	167
4.0-4.9	2,689	257	3,051	324
5.0-5.9	2,059	315	2,144	280
6.0-6.9	1,651	882	1,622	895
Total	25,850	1,688	19,324	1,749

#### New Member Bank

The Richland Trust Company, Mansfield, Ohio.

## MANUFACTURING, MINING

**Iron and Steel**

Aggregate demand for steel late in the year reflected a broad base with requirements covering almost all products and emanating from practically every type of steel consumer. Flat rolled items, such as hot and cold rolled sheets and strip, were in heavy demand. Support came not only from automobile manufacturers, who have been purchasing comparatively large quantities for this time of year, but also from a wide diversification of sources. Further increase in the amount of steel going either directly or indirectly into national defense projects has been evident; structural plates and shapes destined for new construction or plant additions have continued to lead this demand. By early December, railroads had placed orders for approximately 650,000 gross tons of rails to be delivered in 1941. Export demand was continuing strong, and indications in mid-December were that there might be some increase in this business after the new year. Canadian purchases of steel for other than war industries have been forbidden by the steel controller, but little change in total tonnage going to that country was anticipated, though there might be shifts in the types of steel products bought. Only for oil-country equipment and tin plate was demand slow, though the latter item was moving in better volume than earlier in the fourth quarter.

To keep pace with specified delivery schedules, steelmakers expanded production further during November when operations averaged 96½ percent of theoretical ingot capacity, and 6,282,824 net tons of open hearth and Bessemer steel were made. This compares with record production of 6,461,898 tons during October and 6,147,783 tons in November 1939. Weekly operating rates were maintained at 96-97 percent of capacity during most of December. The *American Iron and Steel Institute* estimated operations at 80.8 percent in the final week of the year when many producers took advantage of the holiday to do necessary maintenance work. Total steel production by mid-December exceeded the record full year's output of 60,829,752 tons reported in 1929.

On an average daily basis, November pig iron production, as is indicated in the accompanying chart, reached an all-time high of 146,589 net tons, two percent above the previous month's record. Since November was a shorter month than October, actual production fell from 4,437,725 tons to 4,397,656 tons. Only 26 of the 228 potential blast furnaces listed by the *American Iron and Steel Institute* were inactive on December 1. Of the total in blast, 166

were principally dependent upon Lake Superior iron ore, and 5,973,007 gross tons were consumed during November, 78,340 tons less than was used in the previous month.

The Great Lakes shipping season closed early in December after the ore carrying fleet had brought down the third largest tonnage of iron ore ever moved from Lake Superior ports. The 63,712,982 ton total was exceeded only in 1916 and 1929. Navigation was handicapped by storms and freezing weather at Lake Superior loading docks, but November shipments of 5,404,113 tons were the second best for that month in more than twenty years; 12,515 tons were shipped during December.

Iron ore inventories of 41,711,704 tons held on Lake Erie docks and at blast furnaces on December 1 were exceeded in the past thirteen years only by stocks on November 1 and December 1, 1937. At the average rate of consumption during October and November, inventories on hand December 1 represented a little less than seven months' supply.

**Coal**

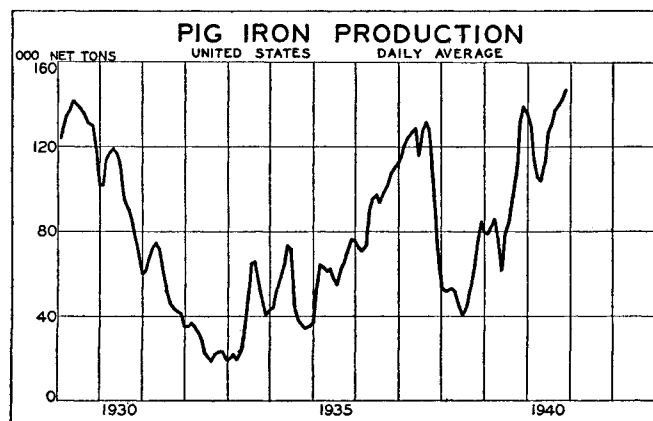
Coal production has been expanded more rapidly in this territory than nationally since shortly after adoption of the price and marketing provisions of the Bituminous Coal Act. November fourth district output amounted to 15,233,000 net tons, down three percent from the previous month's total principally as a result of fewer working days in the period. A year ago 16,772,000 tons were mined. Weekly production at Western Pennsylvania and Ohio mines has risen steadily since mid-October, due in part to high rates of activity at captive mines owned or leased by steel companies and other industrial interests.

Coal shipments from Lake Erie ports as far north as Detroit continued after the iron ore shipping season closed early in December. During November, 4,491,982 net tons were shipped over the Great Lakes. The tonnage moved was ten percent smaller than the previous month's total, and thirty percent under last year's record volume for November. Insurance on lake vessels expired on December 15, but by that date an all-time record total of 47,982,613 tons of coal had been moved north, nearly 4,000,000 tons more than in 1936, the previous peak year.

Since October and November data on coal stocks held by industrial consumers and retail dealers have become available, it is evident that both types of users increased inventories in anticipation of higher prices under the Bituminous Coal Act. Between July 1 and October 1, there was a 24 percent addition to industrial coal stocks. More significant, perhaps, is the fact that the upward trend did not level off in October. Inventories of both industrial consumers and retail dealers were seven percent larger on November 1 than a month earlier. In fact, total stocks on the later date were the largest held since April 1, 1937.

**Automobiles**

After reaching a 1940 weekly high of 128,783 cars during the last part of November, automobile production in United States and Canada continued at but a slightly diminished rate through December 21 with average weekly output amounting to more than 125,000 units. Not since the spring of 1937 has there been a period of comparable activity in the industry. Despite three fewer working days in November than in the previous month, domestic



factory sales were 487,352 cars and trucks, according to the *Department of Commerce*, down only one percent from October. Comparison of current output with November a year ago is distorted by the labor dispute which curtailed production of one of the major manufacturers at that time. The high rate of assemblies, however, is indicated by the fact that average daily output actually rose from 21,444 in October to 24,368 in November, despite the drop in total production in the later month.

Since the model year change in 1935, the peak months of domestic automobile production have tended to shift to the last quarter of the year, although the change has not been uniform. In 1935 and 1936, December was one of the three highest output months; in 1937, the three peak months were April, May, and June; whereas in 1938 and 1939, December and November were the first and second, and first and third months, respectively, in order of output. During the last year the shift in peak production was even more accentuated, with October and November appearing as the highest output months with every indication that December would be among the three ranking periods.

The slight decline from October to November was due to a reduction in passenger car assemblies. Factory sales of trucks, busses, and road tractors showed an increase of over 8,000 units. The current relationship between passenger car and truck production is more and more subject to Government demand for Army vehicles.

November registrations of new cars in eight major Ohio counties amounted to 12,717 units, approximately as many as during the previous month and 48 percent more than a year ago.

#### **Rubber and Tires**

Crude rubber consumption for the first eleven months of 1940 was 562,081 gross tons, only about 30,000 tons under the all-time annual peak in 1939. Consumption in November was 54,652 tons, a drop of three percent from October, the high month of the year. November gross imports of 72,901 tons were two percent below October's, although they exceeded the tonnage received in November 1939 by 70 percent. Of net imports totaling 72,775 tons, about 30 percent was added to Government stocks held by the Rubber Reserve Company and under the cotton-rubber barter agreement. The remaining 50,674 tons were not sufficient to cover November trade consumption. As a result, manufacturers had to reduce their stocks approximately 4,000 tons during the month.

The rubber export quota has been set at 100 percent of basic tonnages for the first quarter of 1941 by the International Rubber Regulation Committee, as compared with 90 percent for the fourth quarter of 1940. The larger quota will facilitate attempts of tire producers and the Government to set up emergency stocks of rubber in the United States. By the end of November, the Government had stored in this country only 85,669 tons of the 237,000 tons of crude rubber which were to have been acquired by the end of the year through the Rubber Reserve Company and under the cotton-rubber barter agreement. Acquisition of the rest of the supply for Government storage was expected to sustain shipments at a high level during the early months of 1941.

November replacement shipments amounted to 2,576,816 tires, with only a seasonal decline from the October figure.

Original equipment sales of 2,437,692 tires in November reflected the high rate of operations in the automobile industry. Combined sales of replacement and original equipment tires in November were the largest for that month since data became available in 1921. Mechanization of the Army and growing aircraft production have been increasingly important factors in the demand for tires and other rubber products.

#### **Textiles and Clothing**

Government orders to fourth district textile firms from June through November 1940 amounted to slightly more than \$1,000,000. These included such items as wool blankets, cotton drill cloth, and overcoating. In view of an assured market with the Government, there appeared to be no immediate problem of excessive inventory in the textile industry. Prices of woolen fabrics were reportedly higher than in the fall of 1940, but there were no definite price schedules since most mills were quoting on a day-to-day basis.

Wool consumption by November had reached the highest point since June 1918. During the second week in December, details were made public concerning the Government's proposed stock pile of 250,000,000 pounds of Australian wool to be held in this country as an emergency reserve. While title to this wool is to remain with the United Kingdom, the stock will be available for purchase by the United States Government or by the domestic trade whenever an emergency shortage of wool is declared to exist. Special care was being taken to provide grades and types of wool that could be readily used in American mills.

With an estimated 30 to 40 percent of weaving capacity being devoted to production of fabrics for Government use, garment manufacturers in December were said to be placing large commitments for the fall of 1941. Some firms already had experienced difficulty in obtaining re-order deliveries of woolen materials for spring lines. Production of spring clothing was well under way by mid-December with unfilled orders reportedly large enough to maintain full operations into April. Shipments were keeping pace with production. Due to the fact that Easter in 1941 occurs three weeks later than it did in 1940, women's clothing manufacturers did not expect such a large volume of early orders as occurred in the previous year. Needlework contracts awarded by the Government in this district from August through November amounted to about \$250,000. Approximately two-thirds of the volume was for trousers; about one-fifth was for work suits; and the rest for service coats.

#### **Other Manufacturing**

Productive activity in several manufacturing industries in the fourth district declined slightly during November and early December. Volume of new business received was down, in a few instances, but backlogs of unfilled orders, generally, appeared large enough to sustain operating schedules for sixty to ninety days at rates unusual for the year-end in the recent past. Exceptions were noted in the paper and paperboard industries which continued to lag, consumers not purchasing in any sizable quantities.

Actual production of machine tool makers again in November probably was the largest on record. Manufacturing facilities of the industry, according to the *National Machine Tool Builders' Association*, were enlarged three percent between October and November, when productive capacity was 55 percent greater than at the outbreak of

European war. This increase undoubtedly more than compensated for the slight decline reported in the industry's operating index during November. At 95.4 percent of capacity, as measured in terms of payroll hours, the index was 1.4 points under the previous month's record high. Part of the decline unquestionably was occasioned by the shorter work-month. On October 14, the date of an industry-wide survey, 13½ percent of all unfilled orders was for Government account; 29 percent was for export to the United Kingdom or British dominions; 52 percent was for the American aviation industry or other national defense contractors; the remaining 5½ percent was for a miscellaneous group of machine tool users.

There was a moderate decline in the value of new orders, both for new equipment and repair work, received by manufacturers of foundry equipment during November. Accordingly, the revised order index of the *Foundry Equipment Manufacturers' Association* moved off ten points to 254 percent of the 1937-39 average. Most foundries in the Mid-West were reportedly running close to capacity, though a lack of skilled labor was apparent in some sections. Raw material inventories were not excessive, according to correspondents, and finished work was being shipped promptly. Orders on hand at drop forging and die casting plants in mid-December were sufficiently large to maintain operations for several months.

Conditions in the electrical equipment industry were mixed during November and the first part of December. Unfilled orders, while at record levels, were concentrated chiefly in the heavier lines where there is a long production period. Manufacture of merchandise products and domestic appliances was related closely to immediate demand. Less new business was booked during November than in the month previous, but a considerable increase in order volume was apparent in mid-December. In fact, some manufacturers reported that sales were double those of December 1939. A few concerns were building up inventories, particularly of fabricated materials.

As indicated in the accompanying chart, production of flat glass, though down slightly from October to November, has been maintained above the late fall levels of the recent past. Approximately 16,000,000 square feet of plate glass were made during November, six percent less than in the previous month, but two percent more than a year ago. From month to month, there was also a decline of six percent in window glass output, but November production, totaling 1,264,000 boxes, was twelve percent larger in 1940 than in the previous year. Manufacturers' inventories of

building glass were reported to have been reduced moderately during November, while those of plate glass remained unchanged. Belief was expressed that automobile body makers had accumulated considerable stocks of safety glass.

Holiday shipments of pressed and blown glassware had left plants by late November after the busiest manufacturing period in a decade. There was a considerable decline in the volume of new business received early in December, indicating that consumers had taken care of seasonal requirements. Although some factories apparently had enough unfilled orders on hand to carry over into the new year, others were curtailing production.

Operations in the dinnerware branch of the ceramics industry continued at practical capacity during November. In mid-December it appeared as if potteries would maintain production schedules for at least the next sixty days, despite the fact that some let-down usually has occurred in the last two weeks of the year. New business for January shipment was reportedly much in excess of that placed a year ago.

Little change in paper and paperboard sales activity was apparent early in December, the industry participating only to a limited extent in the national preparedness program. Civilian customers, preferring not to carry heavy inventories into the new year, were ordering only small quantities; therefore, production was down sharply from a year ago. In the second week of December, paper mills operated at 91 percent of estimated capacity; a year before the rate was 98 percent. Some of this output was accumulating as manufacturers' inventory. Carton makers were working against backlogs of unfilled orders, customers apparently placing new orders only for immediate needs.

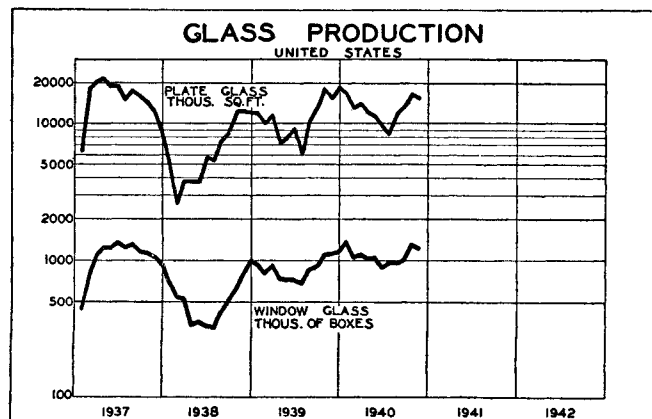
Work on spring lines of women's shoes apparently was not started as early in 1940 as previously. Although production at fourth district factories was increased rather more than seasonally in November, actual output during the month was 15 percent less than that of a year before. Manufacturers reopened plants after closing for inventory at the end of their fiscal year, October 31. Many companies had purchased stocks of standard materials, but general disposition seemed to be to follow the leather markets closely. Salesmen, on initial trips, reported that dealers were buying rather conservatively, there being confidence that shoes could be had when wanted.

### TRADE

#### Retail

Dollar volume of department store sales in November was eleven percent greater than for the same month a year ago.

Part of the increase could be attributed to the fact that November 1940 had five Saturdays while the same month in 1939 had only four. During the first three weeks in December, sales were six percent above the corresponding period in 1939, a substantial gain in view of the unfavorable weather early in the month and the large volume of the preceding December. Substantial increases in November sales of men's clothing by department and wearing apparel stores over the same month in 1939 indicated that the possibility of conscription was not yet a depressing factor in this line of trade. Basement store sales in November were up sharply from the previous year in every principal city but Pittsburgh, the Akron gain amounting to 16 percent. Charges showed the ordinary relationship to total sales in all reporting cities.



Installment accounts receivable at department stores made a more favorable showing relative to November a year ago than did regular charge accounts. The disparity was greatest in Cleveland where thirty-day charge accounts in November were 17 percent greater than a year earlier, while installment accounts were 32 percent greater.

Value of inventory for fifty-two department stores throughout the district at the end of November was one percent above that of November 1939. Stocks generally did not appear to be excessive in view of sales improvement.

November chain grocery sales per unit operated showed a 20 percent rise over the same month in 1939, whereas total chain grocery sales were 14 percent larger than a year earlier. The relatively greater increase in sales per store is accounted for by the fact that in the past year the number of operating units in reporting grocery chains has shown a steady decline, amounting to 72 stores for the year. This drop is attributable in large part to the rapid spread of the grocery supermarket.

Chain drug sales per unit operated were about three percent larger than during November 1939. In contrast to the chain grocery store situation, the increase in chain drug sales occurred in a slightly larger number of stores than were in operation a year earlier.

Furniture sales showed widespread improvement throughout the district as compared with November 1939. The largest rise, 34 percent, occurred in Dayton, while for the district the increase amounted to 18 percent. According to *Fairchild Publications*, furniture prices have been showing sizable gains relative to other retail prices in recent months.

#### Wholesale

Wholesale sales volume in November for the second successive month continued to exceed the corresponding period in 1939, the percentage increase for the district being four. The most notable increases over sales a year ago occurred in the hardware group, particularly heavy hardware and plumbing and heating supplies, and in the machinery trade. November sales of automotive supplies were 18 percent above those of a year ago, while lumber and building materials sales volume was up 17 percent from November 1939. Gains in sales over last year, however, were not evenly distributed throughout the district. Dayton wholesale trade was 16 percent above that of November a year ago, while Akron and Cincinnati lagged somewhat behind the previous November's volume.

A gradual increase of wholesale prices occurred during November and the first week of December according to the index of the *Bureau of Labor Statistics*. Farm products and foods showed the largest price advances of four percent and three percent, respectively, other commodity prices gaining only fractionally.

#### CONSTRUCTION

Chiefly as a result of an unusually large volume of public ownership awards for erection of manufacturing buildings in Northern Ohio, value of construction contracts awarded in the fourth district amounted to \$51,330,000 in November, according to *F. W. Dodge Corporation* data. This is the largest monthly total reported since June 1930, with the exception of December 1939. In that month, a single contract was let for construction of a \$117,000,000 earthworks dam and electric power distribution system by the Tennessee Valley Authority in Southeastern Kentucky.

Awards during November for factory construction in fourth district territories approximated \$22,000,000. Three-fourths of this building was started in Northern Ohio. The largest single project under way is a Government-owned shell loading plant at Ravenna which has been estimated to cost about \$14,000,000, exclusive of land. Privately-owned new plant construction and factory additions have resulted, in many instances, from the need for additional manufacturing facilities to meet defense work requirements. In Southern Ohio and Eastern Kentucky, the value of factory construction awards was off only moderately in November from the previous month's record total. Slightly more work on plant buildings was started in November than during October in Western Pennsylvania. Other non-residential construction in this district has held up well in recent months; awards for public buildings last month reached the second highest November peak in eight years at approximately  $2\frac{1}{4}$  times the October total.

Fourth district residential construction increased twenty percent contraseasonally in November; the awards, amounting to \$20,295,000, were 72 percent larger than those of a year ago. Approximately three-fifths of these contracts was let in Northern Ohio, though sizable month-to-month gains were noted in both of the other areas. Substantial improvement over the corresponding month last year also was evident in all three regions. Erection of one- and two-family houses continued to account for the major portion of residential building, though considerable apartment house construction was started during November.

Lumber stocks at mills have continued low, but dealers were able to add to inventories of a few items during November and early December, according to reports of some fourth district wholesalers. Retailers apparently were buying very little, desiring not to build up stocks until after year-end inventories. Purchases were largely by industrial concerns and the Government.

#### AGRICULTURE

With the 1940 growing season well past, principal attention with respect to agriculture becomes centered upon the supply, demand, and price situations, particularly of late-harvested crops which ordinarily move to market at the year end, and upon the production and marketing quotas promulgated for 1941. Post-harvest survey of the *Department of Agriculture* indicated that yields of many crops, both in fourth district States and nationally, compared favorably with 1939 harvests, despite the fact that drought conditions prevailed in many sections late in the summer. Some crops were doubly hindered, since field work during the spring planting season, in parts of this district, was delayed by heavy rains.

Small grain production in the fourth district was substantially greater than in 1939. The oat crop was the largest since 1932, and the wheat harvest, while not exceeding the record productions of 1937 and 1938, was substantially larger than average. Benefiting from the cool, wet weather early in the growing season, the tame hay crop was the heaviest in more than a decade. The 1940 potato crop was slightly smaller than the 1939 harvest. Corn and tobacco production were considerably under those of 1939. Drought damaged both crops, though apparently less than was believed earlier in the season, yields having been better than anticipated.

Kentucky burley tobacco auctions opened the first week

in December, about ten days earlier than in 1939, Southern markets being cleared sooner.

During the first two weeks of trading, 87,500,000 pounds of burley were sold on 35 Kentucky tobacco auctions at an average price of \$17.81 per hundred pounds; prices averaged \$17.70 in 1939. Prior to that time, annual crops had sold for as much as \$35.80 per hundred pounds and for as little as \$8.60. First offerings at warehouses were of only moderate size, and daily trading hours on many auctions were shortened by a dearth of merchantable tobacco. As compared with the two previous crops, a smaller percentage of thin cigarette style tobaccos was available.

The 1941 production and marketing allotments for tobacco were announced by the Secretary of Agriculture early in December. Late in the previous month, Kentucky and Ohio burley tobacco growers had voted to continue the control plan for three years. New contracts will base parity payments on average marketings during the five years, 1934-39, rather than on those during the 1919-29 period. Tobacco growers have estimated that this change will increase the parity price of burley to 21.8 cents per pound from 17 cents. The national marketing quota for the 1941 crop will be 292,000,000 pounds, eleven percent less than the previous year's actual production.

**Wholesale and Retail Trade**

(1940 compared with 1939)

	Percentage Increase or Decrease		
	SALES November 1940	SALES first 11 months	STOCKS November 1940
<b>DEPARTMENT STORES (52)</b>			
Akron	+14.1	+ 8.0	- 0.1
Cincinnati	+16.6	+ 9.9	+ 0.8
Cleveland	+12.4	+ 8.2	- 1.7
Columbus	+14.3	+ 8.2	+ 1.8
Erie	+11.9	+ 9.5	+ 3.5
Pittsburgh	+ 3.3	+ 8.9	+ 3.4
Toledo	+15.9	+ 6.3	+ 2.8
Wheeling	+ 4.0	+ 1.9	+ 0.8
Other Cities	+12.4	+ 9.3	+ 2.4
District	+10.6	+ 8.5	+ 1.2
<b>WEARING APPAREL (12)</b>			
Cincinnati	- 0.4	+ 2.2	+ 9.4
Cleveland	+ 6.9	+ 1.2	+ 2.6
Pittsburgh	- 3.9	+ 1.5	- 7.2
District	+ 3.4	+ 1.6	+ 3.5
<b>FURNITURE (38)</b>			
Cincinnati	+ 6.1	+ 8.8	
Cleveland	+17.6	+19.0	
Columbus	+15.4	+ 4.7	
Dayton	+33.6	+16.5	
Toledo	+12.5	+18.3	
Other Cities	+25.2	+23.7	
District	+18.3	+16.6	
<b>CHAIN STORES*</b>			
Drugs—District (5)	+ 2.8	1	
Groceries—District (4)	+20.1	+12.2	
<b>WHOLESALE TRADE**</b>			
Automotive Supplies (11)	+17.9	+17.7	+ 3.9
Beer (7)	+15.0	+ 3.6	-17.6
Clothing and Furnishings (5)	- 2.2	+ 4.2	1
Confectionery (4)	+14.0	+ 3.6	+ 5.0
Drugs and Drug Sundries (7)	+ 1.7	+ 2.4	+ 1.5
Dry Goods (3)	- 6.5	+ 4.9	1
Electrical Goods (16)	+ 7.6	+16.0	+10.5
Fresh Fruits and Vegetables (7)	-12.3	+ 1.8	+16.1
Furniture & House Furnishings (3)	-10.1	1	1
Grocery Group (49)	+ 2.7	+ 2.0	+ 4.5
Total Hardware Group (40)	+10.8	+13.8	- 2.2
General Hardware (8)	- 3.0	+ 6.7	- 1.7
Heavy Hardware (4)	+23.6	1	1
Industrial Supplies (16)	+20.5	+21.8	- 6.0
Plumbing & Heating Supplies (12)	+22.5	+18.5	+12.6
Jewelry & Optical Goods (8)	+ 1.7	1	+16.1
Lumber and Building Materials (3)	+17.1	1	1
Machinery, Equip. & Sup. (exc. Elect.) (4)	+85.4	1	1
Meats and Meat Products (4)	- 0.2	+ 5.6	-14.4
Paints and Varnishes (5)	+ 4.0	+ 2.0	+12.4
Paper and its Products (6)	+16.9	+ 7.3	+14.6
Tobacco and its Products (16)	+ 7.9	+ 5.7	-28.6
Miscellaneous (17)	+ 8.1	+10.0	+17.3
District—All Wholesale Trade (215)	+ 3.6	+ 8.0	+ 5.9

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

**Fourth District Business Statistics**

(000 omitted)

Fourth District Unless Otherwise Specified	Nov. 1940	% change from 1939	Jan.-Nov. 1940	% change from 1939
Bank Debits—24 cities	\$2,666,000	+10.8	27,110,000	+13.9
Savings Deposits—end of month				
40 banks O. and W. Pa.	\$ 784,759	+ 1.0	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 74,603	- 4.8	869,698	+ 3.9
Retail Sales:				
Dept. Stores—52 firms	\$ 27,741	+10.6	240,854	+ 8.5
Wearing Apparel—12 firms	\$ 1,032	+ 3.4	9,224	+ 1.6
Furniture—38 firms	\$ 921	+18.3	10,033	+16.6
Building Contracts—Total	\$ 51,330	+94.4	370,384	+ 7.0
—Residential	\$ 20,295	+67.4	170,111	+28.6
Commercial Failures—Liabilities	\$ 950	+33.8	10,752	-10.4
—Number	57 <sup>2</sup>	+21.3	622 <sup>2</sup>	-12.6
Production:				
Pig Iron—U. S. net tons	4,398	+ 5.5	42,352	+36.2
Steel Ingot—U. S. net tons	6,283	+ 2.2	58,946	+28.8
Auto—Passenger Cars—U. S.	407,091 <sup>2</sup>	+42.7	3,295,797 <sup>2</sup>	+32.2
—Trucks—U. S.	2,165 <sup>2</sup>	+20.6	689,990 <sup>2</sup>	+ 9.1
Bituminous Coal, O., W. Pa., E. Ky. net tons	15,233	- 8.2	160,383	+22.9
Cement—O., W. Pa., W. Va. bbls.	1,242	+12.9	12,353	+16.3
Elec. Power, O., Pa., Ky. thous. k.w.h.	2,073 <sup>3</sup>	+10.3	18,635 <sup>4</sup>	+13.4
Petroleum—O., Pa., Ky. bbls.	2,165 <sup>3</sup>	- 5.2	21,589 <sup>4</sup>	0.0
Shoes—U. S. pairs	5	-15.1	5	-13.7
Tires, U. S. casings	4,838	- 0.6	54,354	+ 2.3
Bituminous Coal shipments:				
L. E. Ports net tons	4,492	-30.2	47,483	+18.1

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

**Fourth District Business Indexes**

(1923-25 = 100)

	Nov. 1940	Nov. 1939	Nov. 1938	Nov. 1937	Nov. 1936
Bank debits (24 cities)	98	89	76	85	87
Commercial Failures (Number)	39	32	44	43	36
(Liabilities)	22	16	19	42	53
Sales—Life Insurance (O. and Pa.)	77	81	76	85	84
—Department Stores (48 firms)	116	107	93	96	100
—Wholesale Drugs (7 firms)	131	128	115	119	105
—Dry Goods (3 firms)	60	65	48	50	61
—Groceries (49 firms)	74	72	72	82	74
—Hardware (36 firms)	92	84	79	89	93
—All (95 firms)	80	76	73	81	79
—Chain Drugs (4 firms)**	98	96	91	87	92
Building Contracts (Total)	108	55	78	53	44
(Residential)	118	70	46	59	46
Production—Coal (O., W. Pa., E. Ky.)	84	93	73	73	90
—Cement (O., W. Pa., E. Ky.)	103	91	66	88	101
—Elec. Power (O., Pa., Ky.)*	243	224	190	198	193
—Petroleum (O., Pa., Ky.)*	117	124	118	127	118
—Shoes	73	86	78	60	81

\* October  
 \*\* Per individual unit operated.

**Debts to Individual Accounts**

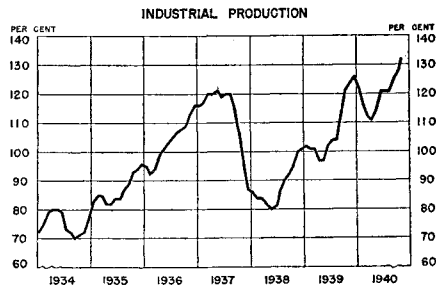
(Thousands of Dollars)

	4 Weeks ended Dec. 18, 1940	% change from 1939	Year to Date		% change from 1939
			Dec. 28, 1939 to Dec. 18, 1940	Dec. 29, 1938 to Dec. 20, 1939	
Akron	\$ 78,259	+ 5.7	\$886,619	\$ 783,907	+13.1
Butler	11,054	+12.0	118,848	107,921	+10.1
Canton	44,344	+15.9	477,405	413,548	+15.4
Cincinnati	356,633	+ 9.9	4,019,900	3,752,507	+ 7.1
Cleveland	720,065	+18.8	7,616,681	6,623,878	+15.0
Columbus	191,305	+ 2.4	2,193,289	2,021,519	+ 8.5
Dayton	74,503	+15.8	864,293	745,900	+15.9
Erie	31,060	+ 8.3	355,292	315,575	+12.6
Franklin	3,326	+ 5.0	37,974	33,459	+13.5
Greensburg	7,429	- 9.4	93,044	80,429	+15.7
Hamilton	12,266	+ 9.6	140,262	127,118	+10.3
Homestead	3,459	+11.5	43,293	37,222	+16.3
Lexington	26,840	+ 4.5	276,769	269,559	+ 2.7
Lima	15,113	- 2.0	178,287	160,345	+11.2
Lorain	5,864	+ 2.4	56,869	59,625	+12.1
Middletown	13,482	+ 1.5	145,333	126,683	+14.7
Oil City	9,912	-14.0	122,097	115,910	+ 5.3
Pittsburgh	770,418	+ 8.4	8,638,453	7,438,827	+16.1
Sharon	8,953	+ 2.1	105,504	95,779	+10.2
Springfield	17,734	+15.2	208,562	196,876	+ 5.9
Steubenville	10,273	+ 0.02	121,262	112,947	+ 7.4
Toledo	150,919	+10.6	1,571,092	1,406,631	+11.7
Warren	13,731	-21.1	135,818	115,690	+17.4
Wheeling	28,020	-11.5	337,158	342,474	- 1.6
Youngstown	55,304	+ 8.1	629,505	550,422	+14.4
Zanesville	9,057	+ 8.6	105,847	96,136	+10.1
Total	\$2,669,323	+10.6	\$29,489,456	\$26,130,889	+12.9

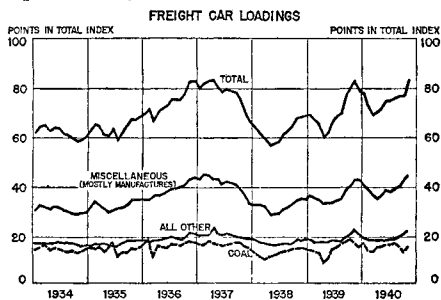


## Summary of National Business Conditions

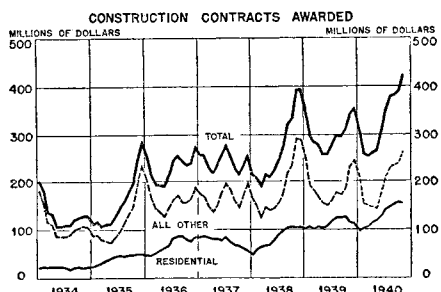
By the Board of Governors of the Federal Reserve System



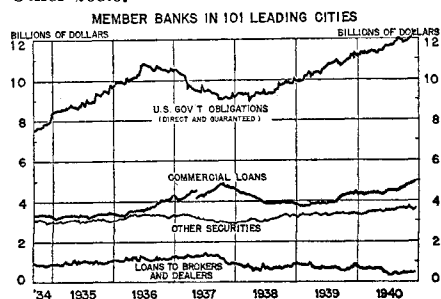
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to November 1940. Latest figure—132 (preliminary).



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to November 1940. Latest figures—Total 83, Coal 16.0, Miscellaneous 44.6, All Other 22.6.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for September and October and estimate for November. Latest figures—Total 422.9, Residential 154.3, All Other 268.6.



Wednesday figures, September 5, 1934, to December 11, 1940. Commercial loans based on new classification beginning May 19, 1937. Latest figures—United States Government obligations (direct and guaranteed) 12,311, Other Securities 3,614, Commercial Loans, 4,992, Loans to brokers and dealers 529.

Industrial activity continued at a high rate in November and the first half of December and distribution of commodities increased considerably. Commodity prices generally showed little change following earlier advances.

### Production

Volume of industrial production, which usually declines at this season, showed little change from October to November, and the Board's seasonally adjusted index rose 3 points further to 132 per cent of the 1935-1939 average.

Reflecting work on a large volume of orders for national defense purposes and for civilian needs, activity in the machinery and textile industries continued to increase sharply. At machinery plants and at cotton textile mills activity reached new high levels and at woolen mills output was close to the previous peak reached early in 1937.

Steel ingot production, which had been at about 94 per cent of capacity in October, increased somewhat further in November and the first half of December. Automobile production continued in unusually large volume, amounting in November to around 500,000 cars and trucks. Retail sales of new cars have been large this autumn and production has been maintained at high levels in order to supply this demand and to build up dealers' stocks. Lumber production declined less than seasonally from October to November. New orders for lumber continued somewhat above the current rate of production although below the high level of the three preceding months when large orders were placed for cantonment construction. Lumber stocks at mills continued to decline and were smaller than at any time in recent years. Bituminous coal production increased considerably in November, following a sharp decline in the previous month, while output of crude petroleum was maintained at about the October rate. Production of most metals continued in large volume.

Value of total construction contract awards declined less than seasonally in November. In the 37 eastern States for which F. W. Dodge Corporation data are available total contracts showed little change; awards for public construction increased further and those for private work declined by somewhat less than the usual seasonal amount. In the far western States contract awards showed a decline from the unusually high level reached in October.

### Distribution

Distribution of commodities to consumers increased considerably in November. Sales at department stores and mail-order houses rose sharply, while variety store sales increased by about the usual seasonal amount. In the first half of December there was the customary large expansion in retail sales.

Total freight-car loadings showed considerably less than the usual seasonal decline in November and the early part of December. Loadings of coal, which had been curtailed in October, increased sharply and shipments of ore and of miscellaneous merchandise declined much less than is usual at this time of the year.

### Wholesale Commodity Prices

Prices of basic commodities, which had risen substantially since August, generally showed little change from the middle of November to the middle of December. Prices of a few imported commodities, particularly cocoa, burlap, and shellac, increased considerably and there were small advances in steel scrap and some other domestic commodities, while moderate declines were reported for such varied commodities as lead, grains, and lard.

### Bank Credit

Total loans and investments at reporting member banks in 101 leading cities have increased sharply since the beginning of October. Commercial loans continued to increase in November and the first half of December, and holdings of United States Government obligations at New York City banks rose sharply. Principally as a result of the expansion of bank loans and investments, Government expenditures, and foreign disbursements financed by additional gold imports, bank deposits increased to new high levels. At the same time there has been a considerable increase in currency in circulation partly in response to seasonal trade demands.

### United States Government Security Prices

Prices of United States Government securities continued to rise during the latter half of November and the early part of December, and the 1960-65 bonds advanced to successive new high levels, with a peak of about 111% on December 10. The yield on this issue declined to a low point of 2.03 per cent on the latter date, but increased slightly toward the middle of the month, reflecting some easing in prices.