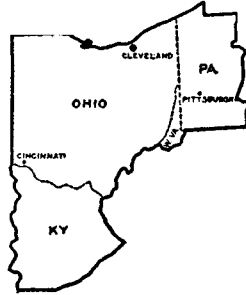


MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 1

Fourth district industries manufacturing items significant to the defense effort continue to be the most active, though producers of style merchandise, such as clothing and shoes, increased operations somewhat more than seasonally in December when work was started on spring and summer lines. Backlogs of unfilled orders held by many of these companies were the largest reported at this season in recent years and indicated that production would be maintained near capacity until the beginning of the second quarter, or longer.

Steel output at mills in this district has approximated 650,000 net tons weekly since late October, except during Christmas week when many operators took advantage of the holiday closing to do necessary maintenance work. New business received has exceeded production and shipments for some time; rolling schedules generally are filled until late April. Consumers recently have been placing orders farther ahead than was customary late last year.

Dollar value of machine tool production was doubled during 1940 as manufacturers added considerably to capacity in various ways and arranged to have an increasing amount of sub-assemblies made outside of company plants.

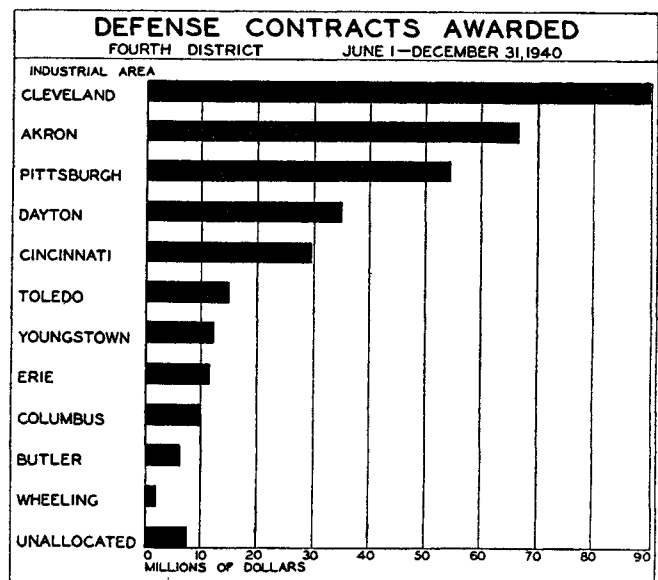
With automobile assemblies averaging more than 120,000 units weekly since early January, parts and accessories manufacturers in this district have maintained operating schedules at high levels, as have tire makers. Plate glass manufacturers also have benefited from the high rate of activity in the automotive field, while window glass production reached the highest level in recent years, largely as a result of the increased amount of building. Dollar value of contracts for factory construction, including those for defense purposes, awarded in this district during the fourth quarter of 1940 was the greatest since the corresponding period in 1929.

Further increases in Ohio industrial employment were reported in December. At 107 percent of the 1926 average, the index was the highest in eleven years. Improvement over the previous month was most marked in the style goods' industries, though gains also were reported by steelmakers, foundries, and electrical equipment manufacturers. There were additional indications that payment for overtime has become more common, payrolls at Ohio and Western Pennsylvania factories continuing to increase more rapidly than working forces. Some manufacturers have reported that a shortage of equipment more than a shortage of skilled labor has contributed to this condition.

Record retail sales in December fully reflected the increases in employment and incomes which took place in the closing months of 1940. While holiday expansion of department store trade from the unusually high level of November was slightly less than seasonal in this district, December's dollar volume was the third best for any similar month in the last 21 years, being exceeded only in 1928 and 1929. Sizable gains over corresponding periods a year ago were noted weekly during the early part of January. Improvement has been greatest in shopping centers where industrial employment has expanded most.

NATIONAL DEFENSE

By virtue of the fact that basic industries, such as steel, machine tools, glass, and rubber, and semi-finished manufactures of parts and accessories are predominantly important in the fourth district, indirect, rather than direct, effects of the national defense program are more evident locally. As reported in 1937 by the *Bureau of the Census*, 15½ percent of United States' manufacturing facilities were located within this district, assuming that productive capacity is proportionate to the value added by manufacture. Survey of steelmaking facilities indicates that more than two-fifths of the nation's open-hearth and Bessemer furnace capacity is in the fourth district, while 65 percent



of all sheet and strip finishing facilities are here. Thirty percent of all machine tool manufacturing is done in Ohio factories, according to the 1937 *Census of Manufacturers*, the latest complete regional data available. More than two-fifths of total value added in the manufacture of glass results from operations at Ohio and Western Pennsylvania plants, while three-fifths of the country's tire production in 1937 was centered in Ohio.

Between June 1 and December 31, 1940, seven percent of all direct defense contracts, exclusive of those for ships and airplanes, were placed for construction of or fabrication at fourth district plants. Including awards for ships and airplanes, which of necessity must be ordered where either manufacturing facilities are available or natural conditions are most favorable, 3.3 percent of all direct defense contracts were awarded to fourth district manufacturers.

Owing chiefly to the effect of defense contracts awarded in this district and to the indirect effect of defense contracts awarded elsewhere, productive activity in many local industries has been at record high levels for some time and carried into 1941 at rates uncommon for the beginning of a year in the recent past. Open-hearth and Bessemer steel ingot production in this district has exceeded 92 percent of theoretical capacity weekly since late October, except during Christmas week, although few direct Government orders for steel have been placed. Machine tool builders have expanded manufacturing facilities more than 61 percent since September 1939 and increased output correspondingly. At the time of a recent survey, however, only 13½ percent of unfilled machine tool orders on hand was for Government account while 52 percent was for the aviation industry and others holding direct defense contracts. Both window and plate glass production last year were up sharply from output in 1939, that for window glass being the best in the four years for which complete data are available. A comparatively small amount of glass has gone directly into defense uses. The high rate of activity at tire and rubber goods factories during 1940 is reflected in record consumption of crude rubber. Approximately \$20,000,000 worth of direct Government contracts were awarded to fourth district rubber companies during the seven months ended December 31, 1940; indirect awards are estimated to exceed this total.

As the accompanying chart indicates, direct defense contracts, including those for ship construction and airplanes, awarded to manufacturers in this district are comparatively widespread among local industrial areas. In fact, centers with relatively small population have received unusually large contracts. This has resulted in some migration of construction labor forces, but serious shortages of factory labor have not been markedly evident. Apprentice training courses, maintained by many manufacturers, and "upgrading" apparently have met the needs in most skilled trades, though a more rapid rise in payrolls than in employment indicates that some industries have found it advisable to work overtime.

FINANCIAL

Reserve Bank Credit Payments for national defense notes, changes in currency circulation, and income tax payments, were among the principal factors affecting Reserve bank and reporting member bank statistics during December and the early part of Jan-

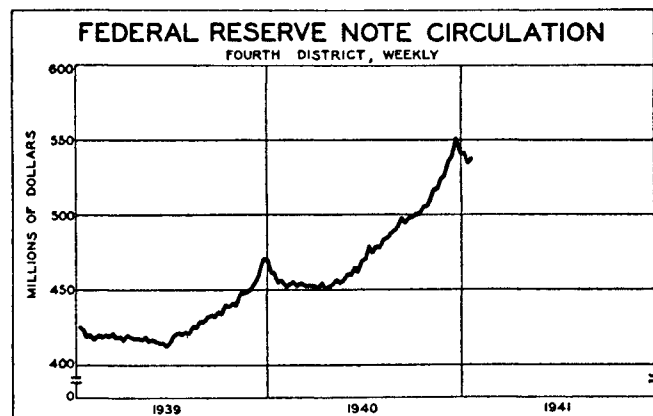
uary. Member bank reserve balances at the Federal Reserve Bank of Cleveland fell from a peak of \$939,000,000 in early December to \$888,000,000 by December 24. A large part of this decline represented currency withdrawals, but book transfers of credit from member bank reserve accounts to United States Treasury account at the Reserve bank also accounted for a portion.

During the first three weeks of December, fourth district note circulation increased \$25,000,000, or about five percent. By January 22 approximately three-fifths of this increase had been retired. As shown by the accompanying chart, there has been a steady rise in Federal Reserve note circulation in this district during the last two years. Part of the larger circulation represents greater business demands for currency for transaction purposes, while another part is added to the currency holdings of individuals or of Government units. Reporting member banks in this district held \$4,000,000 more cash in vaults during 1940 than during the previous year, on an average weekly basis.

Loans and discounts to fourth district member banks by the Federal Reserve Bank of Cleveland in 1940 amounted to only \$1,274,000, about 40 percent of the 1939 volume. Three-fourths of the amount represented loans on member banks' notes secured by United States Government securities. Industrial loans made under provisions of Section 13b amounted to \$330,000 during the year, well over twice the amount advanced in 1939. Commitments made under this section, however, showed a slight decrease.

Member Bank Credit Commercial, industrial, and agricultural loans of weekly reporting member banks in this district increased at the rate of \$4,000,000 a week during December and the early part of January. Total loans of these banks increased \$84,000,000 between January 3, 1940, and January 8, 1941, whereas total investments fell \$25,000,000. As a result, investments relative to all earning assets declined from 65 percent to 62 percent during the period. Although United States Government and Government-guaranteed obligations comprised the same proportion, 77 percent, of total investments on each date, some marked changes occurred within the combined Government portfolio of reporting banks. Treasury bills increased \$6,000,000, or 55 percent; Treasury notes fell \$40,000,000, or 21 percent; Government bonds rose \$4,000,000, or one percent; and Government-guaranteed obligations expanded \$16,000,000, or 13 percent.

Demand deposits of weekly reporting member banks in this district fell \$16,000,000 during the pre-holiday period



in December, but had more than recovered from this decline by the middle of January when they amounted to \$1,578,000,000, up 18 percent from a year earlier. Time deposits of \$745,000,000 in weekly reporting banks were up 1½ percent from a year ago.

NEW MEMBER BANK

The Bolivar State Bank Company, Bolivar, Ohio.

MANUFACTURING, MINING

Iron and Steel A renewed heavy volume of incoming business, continued record raw iron and steel production by mills, and some downward revision in prices of steelmaking scrap were noted early in the year. Steel sales volume declined during the holiday weeks as had been expected, but only to levels approximating the rate of operations and shipments. Most orders received early in January were reported to be for delivery in the second quarter, or later, whereas late last year more prompt shipments generally were specified. In view of the changed conditions, many steel companies were insisting on complete specifications with each order rather than blanket commitments, which were common in the past.

Production of open hearth and Bessemer steel ingots in 1940, totaling 65,246,953 net tons, exceeded the former record output of 1929 by seven percent. In that year, steel plants operated at 89 percent of theoretical capacity; last year, operations averaged 82 percent, though fourth quarter production was at the rate of 95½ percent. Despite the fact that the Christmas holiday cut one day from working schedules, December output of 6,300,768 tons was the second best monthly production on record, being exceeded only in October 1940.

Operations in fourth district steel centers have been increased steadily since the first of the year, and by the fourth week in January surpassed the peaks reported late in November. Mills in the Wheeling territory were operating at capacity. Pittsburgh operators were maintaining production at 96 percent, the rate prevailing before the holidays. At 94 percent of rated capacity, operations in the Youngstown territory were up three points from those of a month before. Operating rates in the Cleveland-Lorain area were increased from 86½ percent to 89 percent between December and mid-January; subsequently there was some decline when schedules were curtailed to allow for furnace repairs. Cincinnati producers maintained output at 87-90 percent of capacity during most of December and January.

Pig iron production set a new monthly record of 4,542,864 net tons in December. For the entire year 1940, however, output, totaling 46,849,676 tons, was only the second largest, production in 1929 being approximately 450,000 tons greater. Of the 202 blast furnaces in operation throughout the country at the year end, 166 were primarily dependent upon Lake Superior iron ore. These stacks consumed 6,173,038 gross tons of ore during December, more than in any other period since monthly data became available in 1919. Exceeding the previous year's consumption by 41 percent, 62,426,314 tons were used during the full year 1940.

Four percent more ore was stored on Lake Erie docks and at furnaces on January 1 than a year earlier. At the average rate of consumption during the fourth quarter of 1940, the 36,072,833 ton inventory would last approximately

six months, or considerably after the 1941 Great Lakes' navigating season opens in April or May.

Quotations on steelmaking grades of scrap declined early in January following conferences of dealers and a committee from the National Defense Advisory Commission. Prices ranging from \$23 to \$24 per gross ton had been reported at the beginning of the year, but by the fourth week in January price of No. 1 heavy melting scrap at Pittsburgh was \$21.75 per ton, \$1 under December quotations. At the peak late in 1939, prices exceeded \$24.25 per ton; lowest quotations since the beginning of European war were \$16.25 per ton early in the second quarter of last year.

Coal More bituminous coal was mined in the fourth district during 1940 than during any other year in the last decade. December production of 15,265,000 net tons raised the year's total to 175,648,000 tons, 21 percent in excess of output in 1939.

Demand was stimulated, for the most part, by the increased rate of industrial activity during the second half of 1940 and unusually heavy shipments over the Great Lakes. An all-time record total of 46,547,987 tons of cargo coal was loaded at Lake Erie docks; another 1,563,204 tons were used as vessel fuel. Approximately half of this record tonnage moved through the port of Toledo. Shipments were continuing from there to Detroit late in January, one small steamer remaining in daily service.

Coal consumers had built up stock piles during the third quarter before provisions of the Bituminous Coal Act raised minimum at-the-mine prices on October 1. Since that time, users have continued to increase inventories, though wholesalers reported in mid-January that there had been some decline in demand for industrial sizes. Operators, on the other hand, noted that a few purchasers who evidently had been using coal they had stored reentered the market early in the year.

Inventories held by industrial consumers on December 1, the latest date for which information is available, were 15 percent larger than those of a year before. Representing 42 days' supply at November rates of consumption, stocks totaled 43,051,000 tons. Retail dealers held another 8,950,000 tons, or 41 days' supply.

Production of beehive coke at Western Pennsylvania ovens has been increased regularly in recent weeks as more facilities are reconditioned and placed in operation. By mid-January over 5,200 of the 6,000 beehive ovens in Fayette County, Pennsylvania, were in operation, more than at any other time since 1929. One interest expects soon to light 400 ovens unused since World War days. Several other groups of ovens are being rehabilitated, and a number of large steel interests have large banks of by-product ovens under construction.

Automobiles Automobile production made rapid recovery from the holiday decline and established successive new weekly records for the month of January, according to *Ward's Reports*. For the week ended January 24, an estimated 121,948 cars and trucks came off assembly lines in United States and Canadian plants. This figure was close to the high rate of output during the first three weeks of December, and reflected efforts of manufacturers to keep abreast of the high level of sales and provide for accumulation of satis-

factory stocks in the hands of dealers as a precaution against possible curtailed output due to the defense program.

Despite the fact that some plants operated only three days during the holiday week, domestic production, according to the *Department of Commerce*, amounted to 483,567 cars and trucks during December. This output was the second largest on record for the month and raised 1940 fourth quarter volume to 1,464,142 units, a new last quarter peak. Domestic factory sales in 1940 totaled 4,469,354 units, slightly above the 1936 output, and exceeded only by production in 1929 and 1937. Trucks, busses, and road tractors formed 17 percent of United States factory output last year, compared with 20 percent in 1939.

New car registrations in eight major Ohio counties during December amounted to 12,715 units, the same number as in November and 27 more than during December 1939. With sales of some makes of cars reaching record levels, retail deliveries in the United States during the last three months of 1940 exceeded a million cars, a performance unequalled in any previous fourth quarter.

Employment in Ohio automotive parts plants at the end of December was down slightly from the preceding month, but in excess of that in December 1939. A good volume of business was reported in mid-January, with some firms working overtime.

Rubber and Tires

As a result of the last quarter spurt in automobile production and the rise in Government demands for rubber products of all types, crude rubber consumption reached an all-time high of 618,349 gross tons during 1940, a gain of four percent over 1939. December consumption was 56,539 tons, less than a thousand tons under the peak of October 1939. Despite this high rate of consumption, imports arrived in sufficient volume during December to increase Government reserves held through the Rubber Reserve Company by 27,142 tons and to enable manufacturers to add about 14,000 tons to inventories. Gross imports during 1940 were 818,417 tons, over 36 percent above the previous peak of 600,477 tons in 1937. December imports of 97,984 tons were by far the largest on record, exceeding the former peak month of September 1940 by almost 20,000 tons. Stocks in this country at the year end totaled 318,486 tons. Thirty-five percent of this inventory was held in Government reserve; the remainder would last about 3½ months at the December rate of consumption.

The war situation abroad and Government defense needs at home have stimulated interest in synthetic and reclaimed rubber as sources of supply. Production of reclaimed rubber in 1940 approximated 210,000 gross tons, 13 percent above output of the previous year; whereas consumption amounted to 187,000 tons, a gain of ten percent over 1939. Stocks at the end of last year were about 35,000 tons.

December production of 4,998,520 tires exceeded that of the previous month by three percent and was twelve percent greater than in the corresponding period of the previous year. Total production for 1940 amounted to 59,352,643 casings, three percent over the 1939 output. Firms were operating six and in some cases seven days a week as volume of new business continued at a high level.

Replacement shipments held up well in December despite the facts that spring-dated orders were accepted somewhat earlier in 1940 than in other recent years and that slight reductions in discounts to dealers were put into effect

around the first of the month. Stimulated by the high rate of automobile production, original equipment sales of 2,626,190 tires brought total December shipments to 4,971,504 casings, a gain of five percent over those of the same month in 1939. Manufacturers' sales of 59,155,326 tires for the entire year were the largest since 1929.

Textiles and Clothing

Needlework firms in the fourth district were operating at capacity in mid-January. Deliveries of spring lines to retailers began about the middle of January and backlogs of orders were reported sufficient to keep production schedules at capacity into April and early May, several weeks beyond the usual peak season.

Most immediate concern of the garment industry is its ability to obtain deliveries of cloth. Unfilled orders for men's wear piece goods were reported to be greatly above normal for this time of year because of orders from the Army and Navy. Some textile mills were not accepting orders for deliveries before late summer.

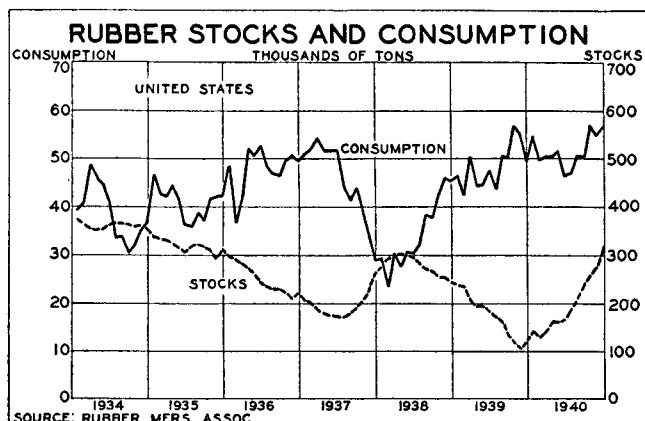
Total imports of wool fibers during 1940 were estimated to be the largest in fifteen years, the British blockade having diverted supplies from foreign markets to the United States. Furthermore, the agreement concluded in December between this country and Great Britain for the storage here of 250,000,000 pounds of Australian wool as a reserve stock would seem to assure the continuance of a steady importation of foreign fibers.

Overall and rough cotton garment manufacturers were receiving orders during January in even larger volume than during the active months of November and December. Expansion of production schedules was being undertaken in order to meet the large orders for garments for the military services. Some progress in reduction of unfilled orders was reported.

Other Manufacturing

Mid-January operating rates in several important fourth district industries would be maintained throughout most of the first quarter, according to some correspondents, though other reports indicated that operations might average lower.

Machine tool production was at record high rates during December. Operations in the industry average 96.8 percent of capacity, measured in terms of payroll hours, according to the *National Machine Tool Builders' Association*. Productive facilities were increased four percent further during the month, and at the year end capacity of industry members was approximately 50 percent greater than at the



beginning of 1940. Practically every machine tool builder was reported to be having more sub-assembly work done outside of company plants than at any other time in the past. As a result of this record amount of subcontracting, total dollar value of machine tool production doubled during the past year.

Some small tool manufacturers in mid-January indicated that production schedules were being constantly increased as rapidly as new personnel could be added. No shortage of skilled labor was evident, and shops were moving to three-shift operation. More new orders were received during the first part of January than in the corresponding December period, resulting in some further increase in backlogs.

Forging and die castings manufacturers noted the volume of new orders was continuing during January at the rate of the previous month. Foundries likewise were busy, most of them having backlogs of unfilled orders which would maintain one-shift operations for some time; one large foundry was pouring more metal than it had for twelve years. Supplies of foundry materials appeared adequate, but some electrical equipment manufacturers reported difficulty in securing raw materials and supplies, particularly fabricating steel and brass.

Flat-drawn glass production in 1940 was the best since 1937, largely as a result of record output of window glass in December; 1,458,000 boxes, each containing 50 square feet of glass, were made during the month. Total 1940 production exceeded that of the previous year by 27 percent. During December 17,491,000 square feet of plate glass were made, more than in any other month of the year, and total twelve months' output was 16 percent greater than 1939 production. Volume of new orders received by manufacturers early in January was smaller than that of corresponding periods in immediately preceding months. Some reduction had been made in the amount of unfilled orders on hand, but mid-January rates of operation were expected to be maintained for about sixty days, though activity in the plate glass divisions was to a degree dependent upon operations at automobile body plants.

Pressed and blown glassware and chinaware manufacturers exhibited new lines of merchandise at January shows in Pittsburgh and Chicago. A greater volume of buying was reported this year than in the recent past, mostly for immediate and early spring delivery. Large manufacturers in the dinnerware division of the ceramics industry indicated they were scheduled practically at capacity, on the basis of one-shift operations in many departments, for the first three months of the year.

Some pickup in the volume of new business was noted by carton makers in mid-January, but the paper and paperboard industries generally continued to lag. Unfilled orders at larger paper mills in this district were considerably reduced during the fourth quarter of 1940, production and shipments exceeding new orders. Mill inventories also were increased during that period. Paper merchants, on the other hand, reduced stocks in order to carry only minimum inventories over the year end. Seasonal conditions contributed to the lack of activity at paperboard mills, operations early in January averaging about 70 percent of capacity compared to 80 percent in the previous month and 75 percent a year ago.

Office equipment manufacturers have continued to do

the major portion of their business in the domestic market because war conditions have restricted foreign purchasing. Further curtailment of these markets has been indicated; the latest import restrictions announced by the Canadian government include all types of office furniture and appliances.

Work on spring lines was started at fourth district shoe factories early in December. Output for the month, rising more than seasonally from November, exceeded December 1939 production by 11 percent. Most manufacturers reportedly have booked more spring and summer business this year than at any other time in the recent past. Some backlogs of unfilled orders were said to be large enough to maintain peak operations until the middle of the second quarter when production of fall merchandise ordinarily is started.

Stocks on hand at cement plants located in fourth district States were reduced ten percent during 1940. Partially as a result of heavy demand from defense projects, average monthly shipments last year exceeded those of 1939 by 19 percent. Improvement was most marked in the second and third quarters. December production, amounting to 653,000 barrels, was the best for any similar month since 1929, while total 1940 output was the largest in a decade.

TRADE

Retail

Department store sales in principal cities of the district showed gains in December over those of a year ago. Akron and Erie stores reported the largest increases of eight and nine percent, respectively, while combined sales of fifty-two reporting department stores in the district were six percent greater than in the previous December. Annual increases over 1939 were greater in most cities than those of the final month, the district rise amounting to eight percent. The post-holiday seasonal contraction in sales appeared less sharp this year than last. For the first three reporting weeks in January, district sales averaged about 12 percent above those of corresponding weeks in 1940. Installment sales, relative to total department store sales in 1940, were only fractionally above those of the previous year. This ratio may acquire considerable significance in a period of rising incomes such as the present, since similar periods in the past sometimes have been accompanied by wider credit extension.

Department store inventories showed the usual year-end decline, but were somewhat above stocks at the end of 1939 in most cities, the gain in Toledo amounting to ten percent. Retailers were reported as placing orders with jobbers in somewhat larger amounts than usual during the first few weeks of the year.

Chain grocery trade in this district during the past year was eleven percent greater than during 1939, on the basis of sales per individual unit operated. Allowance should be made for the fact that the number of units in reporting grocery chains was somewhat smaller in 1940. Chain drug sales, per unit operated, showed a somewhat larger than usual rise in December over the previous month, the gain amounting to 42 percent.

Retail furniture sales of 38 firms in this district during December remained above those of a year ago. The largest gain of 16 percent occurred in Toledo, but Dayton and Columbus also experienced decided improvement. Accounts receivable, on the other hand, were fractionally lower than at

the end of last year in several cities, although for the entire district they were up six percent.

Wholesale December wholesale trade of 212 firms in this district was 16 percent above that of the previous December and five percent in excess of November sales, according to the *Bureau of the Census*. Gains over the previous year were registered in nearly every line. Sales of clothing and furnishings were up 18 percent from the previous December and 27 percent above those in November, the latter rise reflecting, in part, a brisk year-end demand for heavy wear. Electrical goods sales were 22 percent over those of the same month in 1939, while the hardware group showed a gain of 29 percent. The high level of activity in the building industry was reflected in lumber and building material sales which exceeded those of December 1939 by 62 percent.

Combined wholesale inventories for all lines at the end of the year were practically unchanged from the previous year-end. There were, however, some wide variations among the stock positions of different branches of wholesale trade on the basis of reporting firms. Paints and varnishes, and plumbing and heating supplies were among the commodities held in notably larger amounts at the end of 1940 as compared with 1939. Clothing and furnishings, dry goods, and tobacco, on the other hand, showed lower stock values for last year-end than at the close of 1939.

CONSTRUCTION

Contracts awarded in the fourth district during December, amounting to \$30,652,000 for all types of construction, were three percent greater than those for the same month a year ago, according to *F. W. Dodge Corporation* data. More residential building, which accounted for 41½ percent of total December construction, was started during the month than in any other December since 1927. As in most recent months, better than 70 percent of all contracts awarded for this type of building was for one-family dwellings. Approximately 50 percent of these awards was made in Northern Ohio where considerable work on single unit homes for sale or rent was started. The largest individual contract was a \$994,000 United States Housing Authority award for erection of 340 one-family dwelling units in Columbus.

Though less than half as many contracts for non-residential construction were awarded in December as during the previous month, dollar value of awards was nearly 2¼ times that of December 1939. Urgent requirements for additional manufacturing facilities incident to the defense program have been the most apparent cause for raising factory construction to relatively high levels for this time of year. Weather conditions have been satisfactory for most outdoor work, the winter thus far being comparatively mild and open in many parts of this district.

Total awards for all construction started in this district last year were valued at more than \$398,500,000. Residential building accounted for 46 percent of the total, while in 1939 dwellings represented only 38 percent of total construction. Three-fifths of all contracts awarded in 1940 were privately-financed, compared with two-fifths in the previous year, and 44 percent in 1938.

Principally as a result of demand for defense needs, particularly for housing and boxes and crates, lumber stocks at

mills were reduced three percent during December. According to the *Lumber Survey Committee*, mill inventories on January 1 were 16 percent smaller than those of a year before. Several fourth district lumber and building materials supply dealers reported in mid-January that their unfilled orders were unusually large for this season of year. Furniture woods, of which there was a limited supply, were in unprecedented demand.

AGRICULTURE

Grain Farmers in fourth district States on January 1 held more of the previous year's small grain production in storage on farms than had been customary in the recent past. As shown in the accompanying table, two-thirds of the 1940 oat crop was stored on fourth district farms at the beginning of the year. Compared with January 1, 1940, stocks were 37 percent larger, though last year's production was only 27½ percent greater than that of 1939. Nine percent more wheat was harvested in fourth district States in 1940 than a year before, but on January 1 farmers held 29 percent more grain in storage. The Commodity Credit Corporation by the year end had granted Ohio farmers \$3,213,379 in loans secured by pledge of 4,015,000 bushels of wheat, 9½ percent of the States' 1940 production. This grain was stored under bond on farms or in public elevators. On January 1, farmers in fourth district States held 65 percent of last year's corn crop in storage; the average farm carryover in the ten years, 1929-38, was 60 percent, though 64 percent of the previous year's crop was stored on January 1, 1940.

FARM STORAGE OF SMALL GRAINS Ohio, Pennsylvania, Kentucky, West Virginia

	Production (000 bushels)	Stored on Farms January 1, fol- lowing year	Percentage of annual crop
CORN			
Ten-year Average			
1929-38	263,386	158,638	60.2
1939	313,784	200,492	63.9
1940	257,642	166,858	64.8
WHEAT			
Ten-year Average			
1929-38	66,894	23,063	34.5
1939	62,744	19,260	30.7
1940	68,567	24,765	36.1
OATS			
Ten-year Average			
1929-38	74,452	46,194	62.0
1939	61,836	38,556	62.4
1940	78,822	52,675	66.8

Livestock Four percent fewer beef cattle were being fed on Ohio farms January 1 than a year before, but feeder calves made up a larger proportion of the total than on the same date in other recent years. Reports of farmers cooperating with the *Agricultural Marketing Service* indicated that a slightly greater percentage of the cattle on feed at the present time would be marketed later than April. Ohio farmers on January 1 were feeding three percent more sheep and lambs than twelve months earlier. The combined spring and fall 1940 Ohio pig crop, totaling 4,865,000 head, was one-fifth larger than the ten-year average, though four percent smaller than last year's. The number of sows to farrow in the spring is indicated to be 14 percent less than a year ago.

Tobacco Approximately half of the 1940 Kentucky burley tobacco crop was disposed of before auctions closed for the holidays, 162,000,000 pounds being sold at an average price of \$17.75 per hundredweight. Prices were irregularly lower after markets reopened, much of the tobacco offered being of not particularly good quality. However,

market observers estimated that 90 percent of the year's crop had been sold by mid-January; 242,259,608 pounds had been auctioned on 22 Kentucky markets before January 20. Prices averaged 16.29 cents per pound. During the 1939-40 marketing season, a considerably larger Kentucky burley crop brought an average price of 17.7 cents per pound. Some dissatisfaction with prices among sellers resulted in arrangements for revival of pools to take over so-called "distress" grades and through loans from banks for cooperatives to advance to farmers 75 percent of parity price on this tobacco, or 16.35 cents per pound.

Fourth District Business Statistics

(000 omitted)

	December 1940	% change from 1939	Year 1940	% change from 1939
Fourth District Unless Otherwise Specified				
Bank Debts—24 cities	\$3,391,000	+19.3	30,501,000	+14.5
Savings Deposits—end of month				
40 banks O. and W. Pa.	\$ 796,400	+ 1.1	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 84,825	+11.6	954,523	+ 4.6
Retail Sales:				
Dept. Stores—52 firms	\$ 42,654	+ 5.8	283,508	+ 8.1
Wearing Apparel—12 firms	\$ 1,365	+ 0.3	10,589	+ 1.4
Furniture—38 firms	\$ 1,233	+11.1	11,267	+16.0
Building Contracts—Total	\$ 30,652	+ 3.0	398,529	+ 6.0
—Residential	\$ 12,726	+ 7.7	181,769	+26.1
Commercial Failures—Liabilities	\$ 1,425	+125.1	12,177	— 3.6
—Number	43 ²	+22.9	665 ²	—11.0
Production:				
Pig Iron—U. S. net tons	4,543	+ 7.7	46,895	+32.8
Steel Ingot—U. S. net tons	6,301	+ 8.2	65,247	+26.5
Auto—Passenger Car—U. S.	396,531 ²	+ 6.1	3,692,328 ²	+28.8
Auto—Trucks—U. S.	87,036 ²	+11.1	777,026 ²	+ 9.4
Bituminous Coal, O., W. Pa., E. Ky. net tons	15,265	+ 7.5	175,648	+21.4
Cement—O., W. Pa., W. Va. bbls.	1,071	+62.8	13,424	+19.0
Elec. Power, O., Pa., Ky. thous.	2,022 ³	+ 6.9	20,657 ⁴	+12.7
Petroleum—O., Pa., Ky. bbls.	1,982 ⁵	—12.5	23,571 ⁴	— 1.1
Shoes, U. S. pairs	4,999	+11.4	—	—12.3
Tires, U. S. casings	4,999	+11.9	59,353	+ 3.0
Bituminous Coal shipments:				
L. E. Ports net tons	627	—32.3	48,111	+17.0

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

Debts to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended Jan. 22 1941	% change from 1940	Year 1940 Dec. 28, 1939 to Dec. 25, 1940	Year 1939 Dec. 29, 1938 to Dec. 27, 1939	% change from 1939
Akron	79,916	+15.2	903,891	798,728	+13.2
Butler	10,225	+ 5.9	121,263	110,105	+10.1
Canton	43,913	+19.8	488,434	423,941	+15.2
Cincinnati	371,981	+18.3	4,110,027	3,836,142	+ 7.1
Cleveland	744,601	+22.1	7,799,811	6,778,998	+15.1
Columbus	170,152	+10.4	2,234,984	2,061,789	+ 8.4
Dayton	79,856	+18.5	883,169	760,574	+16.1
Erie	32,464	+15.9	362,315	321,720	+12.6
Franklin	3,247	+ 0.3	38,914	34,120	+14.1
Greensburg	8,314	— 7.3	94,929	82,468	+15.1
Hamilton	12,254	+15.8	143,042	129,539	+10.4
Homestead	3,578	+17.7	44,148	37,914	+16.4
Lexington	37,956	+ 0.2	287,994	281,176	+ 2.4
Lima	16,224	— 0.1	181,866	164,133	+10.8
Lorain	5,378	+13.9	68,325	60,987	+12.0
Middletown	12,907	+ 7.6	148,345	129,559	+14.5
Oil City	10,221	— 9.8	124,351	118,426	+ 5.0
Pittsburgh	1,029,285 ¹	+52.6	9,014,868	7,659,314	+17.7
Sharon	9,300	+16.6	107,593	98,031	+ 9.8
Springfield	18,880	+21.9	212,893	200,791	+ 6.0
Steubenville	9,765	+ 8.6	123,794	115,516	+ 7.2
Toledo	148,840	+23.0	1,604,191	1,440,661	+11.4
Warren	12,959	+32.0	139,054	118,612	+17.2
Wheeling	32,701	+18.6	343,377	350,105	— 1.9
Youngstown	55,264	+ 4.4	642,006	563,031	+14.0
Zanesville	9,571	+14.3	108,439	98,212	+10.4
Total	2,969,752	+27.8	30,332,023	26,774,592	+13.3

¹ Includes large refinancing.

Wholesale and Retail Trade

(1940 compared with 1939)

	SALES December 1940	Percentage Increase or Decrease year 1940	STOCKS December 1940
DEPARTMENT STORES (52)			
Akron	+ 7.8	+ 8.0	+ 3.0
Cincinnati	+ 4.4	+ 9.0	+ 4.7
Cleveland	+ 6.0	+ 7.8	+ 0.6
Columbus	+ 5.5	+ 7.8	+ 6.4
Erie	+ 8.9	+ 9.4	+ 6.0
Pittsburgh	+ 6.7	+ 8.6	+ 5.8
Toledo	+ 6.1	+ 6.3	+ 9.8
Wheeling	— 3.6	+ 0.9	+ 7.0
Other Cities	+ 3.6	+ 8.4	+ 4.2
District	+ 5.8	+ 8.1	+ 4.3
WEARING APPAREL (12)			
Cincinnati	+ 0.9	+ 2.0	+14.4
Cleveland	+ 1.2	+ 1.2	+ 2.6
Pittsburgh	— 8.0	+ 0.03	+ 0.5
District	+ 0.2	+ 1.4	+ 7.7
FURNITURE (38)			
Cincinnati	+ 7.4	+ 8.7	
Cleveland	+13.7	+18.4	
Columbus	+ 7.9	+ 5.1	
Dayton	+10.7	+15.8	
Toledo	+16.3	+18.0	
Other Cities	+ 4.0	+21.3	
District	+11.1	+16.0	
CHAIN STORES*			
Drugs—District (5)	+ 6.0	1	
Groceries—District (5)	+ 3.7	+11.4	
WHOLESALE TRADE**			
Automotive Supplies (11)	+17.4	+17.6	+ 7.0
Beer (7)	+ 8.2	+ 4.0	—12.5
Clothing and Furnishings (5)	+17.5	+ 5.5	— 7.4
Confectionery (4)	— 6.5	+ 2.4	+ 3.4
Drugs and Drug Sundries (9)	+ 7.9	+ 3.0	— 2.4
Dry Goods (4)	+ 6.6	+ 5.0	— 7.9
Electrical Goods (13)	+22.3	+16.7	— 3.7
Fresh Fruits and Vegetables (6)	+ 6.8	+ 2.2	+10.3
Furniture & House Furnishings (3)	— 2.5	1	1
Grocery Group (50)	+ 9.8	+ 2.6	— 1.6
Total Hardware Group (37)	+28.7	+14.6	— 2.8
General Hardware (6)	+10.2	+ 7.0	— 3.2
Heavy Hardware (4)	+36.6	1	1
Industrial Supplies (13)	+45.6	+24.7	— 5.7
Plumbing & Heating Supplies (14)	+41.3	+20.3	+15.5
Jewelry & Optical Goods (7)	+14.6	1	1
Lumber and Building Materials (3)	+61.6	1	1
Machinery, Equip. & Sup. (exc. Elec.) (5)	—12.8	1	— 7.2
Meats and Meat Products (3)	— 0.9	+ 5.2	1
Metals (3)	+88.6	1	1
Paints and Varnishes (6)	+ 1.6	+ 2.0	+25.2
Paper and its Products (6)	— 1.2	+ 6.6	— 2.6
Tobacco and its Products (17)	+ 9.6	+ 6.0	— 8.1
Miscellaneous (13)	+ 4.0	+ 9.6	+18.8
District—All Wholesale Trade (212)	+15.6	+ 7.6	+ 1.6

* 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 Indexes

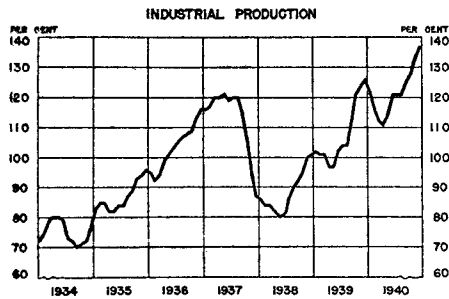
(1923-25 = 100)

	Dec. 1940	Dec. 1939	Dec. 1938	Dec. 1937	Dec. 1936
Bank debts (24 cities)	125	105	97	102	113
Commercial Failures (Number)	30	24	39	47	27
(Liabilities)	32	14	22	38	17
Sales—Life Insurance (O. and Pa.)	88	79	119	87	96
—Department Stores (48 firms)	178	171	152	151	158
—Wholesale Drugs (9 firms)	139	129	120	114	120
—Dry Goods (4 firms)	52	48	48	44	62
—Groceries (50 firms)	70	64	66	73	80
—Hardware (33 firms)	127	100	84	81	105
—All (96 firms)**	82	71	70	74	86
—Chain Drugs (4 firms)**	140	132	126	120	129
Building Contracts (Total)	64	62	64	57	43
(Residential)	74	69	61	19	37
Production—Coal (O., W. Pa., E. Ky.)	84	79	72	69	76
—Cement (O., W. Pa., E. Ky.)	89	55	45	59	64
—Elec. Power (O., Pa., Ky.)*	241	225	194	192	191
—Petroleum (O., Pa., Ky.)*	107	123	113	125	127
—Shoes	97	77	89	83	103

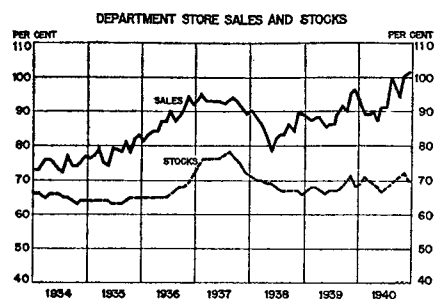
* November.
 ** Per individual unit operated.

Summary of National Business Conditions

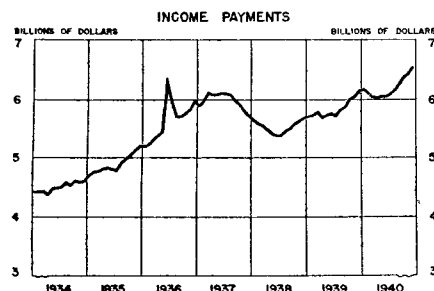
By the Board of Governors of the Federal Reserve System



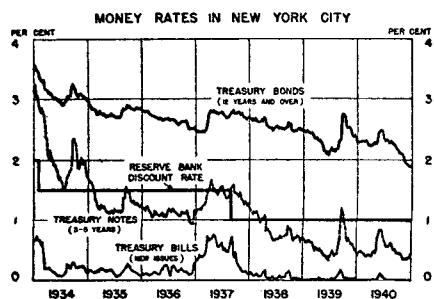
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to December 1940. Latest figure—136 (preliminary).



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to December 1940. Latest figures—Sales 101, Stocks 70 (preliminary).



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to December 1940. Latest figure 6,511.



For weeks ending January 6, 1934, to December 28, 1940. Last figures on chart: Treasury bonds 1.88, 3 to 5-year Treasury notes 0.37, 91-day Treasury bills (new issues) negative rate. Reserve bank discount rate 1.00. January 11, 1941, data: Treasury bonds 1.97, 3 to 5-year Treasury notes 0.43, 91-day Treasury bills (new issues) negative rate, Reserve bank discount rate 1.00.

Industrial activity continued at a high rate in December and the first half of January and distribution of commodities to consumers was maintained in large volume. There was some increase in wholesale commodity prices.

Production

Volume of industrial production showed little change from November to December, although usually there is a decline at this season, and consequently the Board's adjusted index rose further by four points to 136 per cent of the 1935-39 average. In the first half of January steel output increased to around 98 per cent of capacity. Activity in the machinery, aircraft, and shipbuilding industries continued to increase sharply and working forces were expanded further. In these lines and in some others, such as wool textiles, unfilled orders are exceptionally large, owing in the main to the defense program.

Automobile production declined somewhat more than seasonally in December following an unusually large volume of output in November and October. Retail sales of new cars during the last quarter of 1940 were about one-fourth greater than in the corresponding period last year and used car sales also were large. In the nonferrous metals industries activity increased further in December and output of lumber and cement showed less than the usual seasonal decline.

Textile production, which in November had exceeded the previous record levels reached a year ago, continued at this high rate in December, not showing the usual seasonal decrease. At cotton and rayon mills, activity increased somewhat further and at wool textile mills output was sustained at peak rates. In the shoe industry, where output had been in reduced volume during the first ten months of the year, there was less than the usual seasonal decline in November and December and, on a seasonally adjusted basis, production was close to earlier peak levels.

At mines bituminous coal production declined less than seasonally and anthracite production increased. Output of crude petroleum showed a reduction in December owing mainly to the fact that wells in Texas were closed for ten days as compared with nine days in November. Output of metals continued in large volume.

Value of construction contract awards, as reported by the *F. W. Dodge Corporation*, increased contraseasonally in December, reflecting further sharp increases in awards for defense construction and private non-residential building.

Distribution

Distribution of commodities to consumers increased more than seasonally in December. Department and variety store sales showed the customary sharp expansion during the Christmas season and sales at mail-order houses rose more than is usual at this time of year.

Freight-car loadings showed a seasonal decline from November to December. Shipments of forest products and miscellaneous freight decreased less than seasonally, while ore loadings, which had been unusually large in November, declined sharply.

Wholesale Commodity Prices

Basic commodity prices generally increased from the middle of December to the middle of January, following little change during the preceding four weeks. Currently these prices are substantially above the level prevailing last summer. Increases in the past month were most marked for foodstuffs, especially hogs, pork, lard, and cottonseed oil, but there were advances also in a number of industrial materials, particularly pig iron, cotton, cotton goods, paint materials, and hides. Steel scrap prices, after increasing during most of the period, subsequently declined and lumber prices also decreased somewhat from the sharply advanced peak reached in November.

Bank Credit

Total loans and investments at reporting member banks in 101 leading cities continued to increase substantially during the six weeks ending January 8, reflecting principally increases in holdings of United States Government obligations at New York City banks. Commercial loans rose somewhat further.

Excess reserves, after declining during the first half of December, have since increased to about \$6,900,000,000. The increase reflected reductions in Treasury deposits with the Reserve Banks, a continued inflow of gold, and since Christmas a seasonal return flow of currency from circulation.

United States Government Security Prices

Prices of United States Government securities reacted somewhat after reaching record high levels early in December. Bonds of 1960-65 showed on January 8 a net decline of about 2% points from the all-time peak of December 10 but subsequently fluctuated somewhat above this level.