

MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 23

Cleveland, Ohio, September 30, 1941

No. 9

Peak operations were maintained in the majority of fourth district industries throughout the summer. Manufacturing employment was expanded steadily to successive new record levels. Payrolls, as the accompanying chart indicates, were increased even more rapidly than working forces, both as a result of additional advances in wage rates and payment for overtime, which in some defense lines has become very common. August payrolls at 6500 Ohio concerns were 53 percent larger than a year ago.

This augmented individual purchasing power, in the form of the highest weekly earnings in history, stimulated consumer buying of all types of goods. Besides being shown in contraseasonally large department store sales and record new automobile registrations for the end of a passenger car model year, this interest was reflected in home building and the purchase of houses offered for sale. Construction activity generally was at the highest level in more than a decade. Several large Government projects were nearing completion late in September, numerous new manufacturing facilities were being put into operation, and others were contracted for or under construction.

During recent weeks scattered preliminary data indicate that there has been some change in underlying trends. With ever greater quantities of all kinds of goods being required for defense purposes, companies making ordinary civilian articles have found it increasingly difficult to secure raw materials, parts, sub-assemblies, and even maintenance and repair items. Operations in many instances perhaps had been and were being maintained by withdrawals of needed materials from the unusually large inventories that had been built up earlier in the year, but by mid-September many of these stocks evidently had become poorly balanced as between various items. While some curtailments and attendant reductions in working forces apparently were being caused by lack of a single type of material, often a relatively minor article, few complete suspensions were reported.

The changing character of demand for certain goods also occasioned the release of some workers. Steel plants received large orders for semi-finished products to be shipped to the British. As a result, less raw steel is available for the manufacture of such items as sheets and strip, and some employees in finishing mill departments have been laid off, at least temporarily.

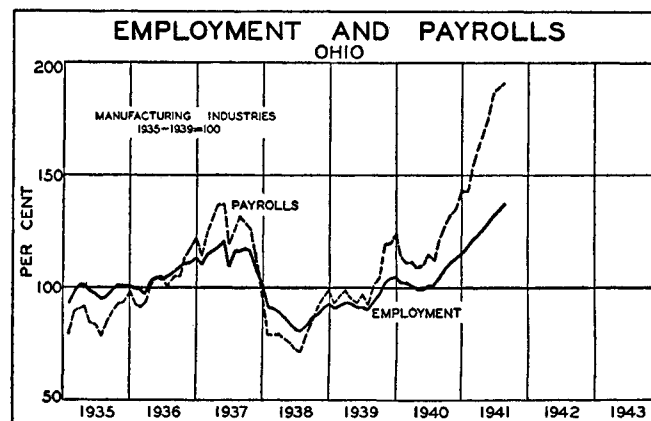
This so-called "priorities unemployment" has been re-

flected in new claims for unemployment compensation, the number of which has increased recently, contrary to the seasonal experience in past years. Surveys published by the Ohio Bureau of Unemployment Compensation indicate that nearly 1,400 defense industry employers throughout the State would require from 30,000 to 40,000 workers before the year end. New building and engineering projects were expected to absorb construction laborers as they are released from completed jobs. At this time, however, there is no way of ascertaining whether gains in defense work will equal or more than take up the slack developing in certain lines because of priorities or other dislocating factors.

FINANCIAL

Member Bank Loans

The latest quarterly survey of interest rates charged on new commercial loans made by leading banks in Cleveland, Cincinnati, and Pittsburgh showed that dollar volume of loans extended during the first half of September exceeded that of the comparable 1940 period by 28 percent. In number of loans made, the increase over last year was 15 percent. New loans made in the latest period were in excess of those reported in June, but they were slightly under the volume of the first half of March. Indicated interest rate changes from the June report were nominal, though they tended somewhat higher. Proportionately more loans, both in dollar volume and in number, were made at an interest rate of between two and five percent in the September period than a year ago or in June, and there was a decrease in loans made at rates below two percent.



At weekly reporting member banks in leading cities of the district commercial loans resumed their upward trend in September following a leveling-off in August. By the third week of September the gain so far this year in commercial and industrial loans at these 40 banks was \$100,000,000, or 31 percent. Other types of loans were little changed in recent weeks, but investment holdings of Government bonds continued to rise to new high levels. Total security holdings, which represented 61 percent of loans and investments, have risen \$175,000,000, or 15 percent, from the low point in January. All of this increase has been in Government securities, although recently other than Treasury issues have been added to local banks' investment accounts in small volume.

Deposits Demand deposits of leading fourth district banks were reduced rather sharply in the first week of September, but by the third week of the month they had practically recovered to their mid-August level which was only slightly under the all-time record of late July. Time deposits were lower in September than in August. Balances due to banks have been rising moderately, but consistently during most of this year and on the latest date they were over \$100,000,000, or more than 20 percent, larger than those of a year ago.

Note Circulation of this bank's Federal reserve notes continued to rise in recent weeks, and there was not the usual return flow of currency from circulation following Labor Day. In the past four weeks note circulation has risen another \$20,000,000 to a new high total of \$681,000,000 which is \$187,000,000, or 38 percent, greater than a year ago at this time.

Reserves Effective November 1, reserve requirements of member banks were raised by the Board of Governors of the Federal Reserve System on September 23 to the present statutory limit. The new rates will be six percent for all time deposits, 26 percent for demand deposits at central reserve city banks, 20 percent for demand deposits at banks in reserve cities, which in this district are Cleveland, Cincinnati, Columbus, Toledo, and Pittsburgh, and 14 percent for demand deposits at country member banks. This action was taken "as a further step in the Government's program for combating inflation * * * after consultation with the Secretary of the Treasury". This action, which was unanimously agreed upon, increases reserve requirements by about one-seventh.

Based on the latest complete information available for all member banks in this district, a large majority will be able to meet the increased requirements out of existing

excess reserves and all but a very few of the remainder by drawing upon a portion of their deposits with correspondent banks.

The accompanying table shows the effect of the ordered increase in reserve requirements on member banks in this district. The entire group had reserves 103 percent in excess of legal requirements in the first half of September. If there were no change in deposits and reserves between that time and November 1, the effective date of the order, banks in this district would still have excess reserves amounting to \$409,000,000 or 76 percent. The excess at country member banks would be 69 percent, down from 99 percent, while reserve city banks would have an excess of 78 percent instead of 104 percent in the September period.

Member bank deposits with the reserve bank, after declining in early September partially as a result of demand for currency, rose in the second and third weeks to above the pre-Labor Day level. Reserve deposits in this district have been higher on only two previous occasions, one week late in January and one week in April.

New Member Banks

The Bank of Elmore Company, Elmore, Ohio.
The Liberty Bank, Ada, Ohio.

MANUFACTURING, MINING

Iron and Steel Less tonnage reportedly was booked by the steel industry after priority ratings were established September 1 than in immediately preceding weeks. Orders, however, continued to exceed output, thereby lengthening deliveries on certain products somewhat further. The volume of inquiries accompanied by priorities documents was increasing late in September as additional preference ratings were assigned various consumers.

The effect of these allocations was to determine steel-makers' production schedules at least three weeks in advance since the regulation provides that no defense order may be inserted if it is for delivery less than three weeks from the time it is submitted. This aided in the better utilization of rolling mill equipment, according to trade observers, because, with shipping dates definitely established, orders for similar material can be grouped more efficiently. September schedules of leading companies indicated that a little more than half of the month's output carried preference ratings. Perhaps the most noteworthy result of the priority ruling was to eliminate a considerable amount of duplicate tonnage from order books.

National ingot production was expanded three percent in August over July to 7,000,957 net tons. This was the

RESERVE POSITION—FOURTH DISTRICT MEMBER BANKS ESTIMATED REQUIRED, EXCESS RESERVES & PERCENTAGES FOLLOWING INCREASE IN RESERVE REQUIREMENTS

BASED ON DAILY AVERAGE DEPOSITS—SEPTEMBER 1-15, 1941
(Amounts in thousands of dollars)

	Net Demand Deposits	Time Deposits	Maintained Reserves	Present Required Reserves	Required Reserves After 11-1-41	Present Excess Reserves	Excess Reserves After In- creased Require- ments	Present Per- centage of Excess Reserves	Percentage of Excess Reserves After In- creased Require- ments
Reserve City Banks	\$1,868,741	\$ 736,189	\$742,254	\$363,838	\$417,920	\$378,416	\$324,334	104.0	77.6
All other banks (reporting semimonthly)	556,969	741,923	206,883	103,932	122,491	102,951	84,392	99.1	68.9
Total—all member banks....	\$2,425,710	\$1,478,112	\$949,137	\$467,770	\$540,411	\$481,367	\$408,726	102.9	75.6

third time in history that monthly output exceeded 7,000,000 tons. A year ago 6,186,383 tons were made.

Blast furnace activity was increased further last month, a new all-time record of 4,784,639 net tons of pig iron being cast during August at the 213 stacks in operation at the month end, one more than on July 31. A year before 190 furnaces were in blast, and 4,234,576 tons of pig iron were made. One fourth district stack was blown out for relining last month and one was relighted, leaving 102 out of 106 furnaces active.

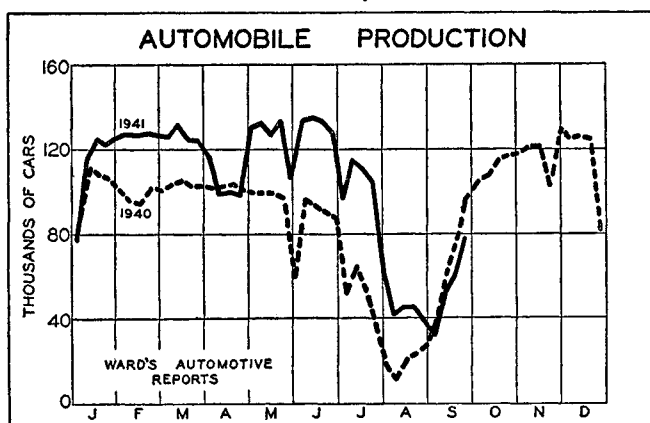
Both shipments and consumption of Lake Superior iron ore were at peak levels in August. The 176 blast furnaces dependent primarily upon supplies of this ore used 6,534,424 gross tons, compared with the previous record of 6,497,442 tons reported in July and 5,700,743 tons last year. A total of 11,496,303 tons of ore were shipped from Upper Great Lake ports during August, 100,000 tons more than in the previous month and almost 1,000,000 more than a year ago.

On September 15 the entire American Great Lakes ore carrying fleet of 292 vessels was still active, as it had been since May. By mid-September 17 Canadian bulk freighters had moved 50 cargoes down the Lakes. After that time, many of these vessels were recalled to carry grain between Canadian ports. This fact, and the inclement weather which has hampered navigation, accounted for the decline in boat arrivals at Lower Lake ports.

Since August ore shipments exceeded consumption by almost 5,000,000 tons, ore stocks at blast furnaces and on Lake Erie docks were increased by that amount to 36,468,769 tons on September 1. This is the third largest inventory ever held in storage on that date, being surpassed only in 1922 and 1938, when consumption was not so heavy.

Coal

Most of the nation's so-called captive bituminous coal mines, which are operated principally by steel companies and a few other large industrial consumers, were closed in mid-September by a labor dispute. An estimated 27,000 miners in the fourth district were idle for about a week. The reopening was effected by an agreement to defer further stoppage for thirty days while the dispute was mediated. Commercial mines, the output of which goes into ordinary trade channels, were not affected by the strike, although some slowing down of activity, chiefly as a result of sporadic labor stoppages, was reported. Fourth district mining operations in August were expanded to the highest level in a decade, the 18,116,000 output being exceeded only in March 1937 and March of this year.



Industrial demand for coal has remained strong all summer. Consumers generally appear to have built up the largest stock piles for this time of year since the 1920's, while burning greater quantities than ordinarily. A number of concerns, particularly some on the Eastern Seaboard where prices of fuel oil have risen materially in the face of a reportedly limited supply, have converted equipment to burn solid fuel. This has increased demand for certain grades of coal, notably from Western Pennsylvania mines.

Larger tonnages of coal also have been moving in recent weeks from Lake Erie docks to northern Great Lake ports for winter use. August shipments totaled 7,381,204 net tons. They were the heaviest for that month in the 23 years of record and compare with 6,600,644 tons in July.

Considerably more domestic coal was delivered to consumers during June, July, and August this year than in the recent past. Much of this demand was attributed to the activity of various Governmental agencies and consumers' advisory organizations which conducted extensive campaigns urging users to buy and store coal early. After Labor Day distributors noted a marked slackening in inquiries for most of these grades, some thirty days earlier than customarily has been the case. Stocks of domestic size coal were accumulating at mines, and as a result some operators were reported to be installing machinery to crush the fuel into the smaller sizes used by industry for steam generating purposes.

Automobiles

Material shortages and reduced schedules of passenger car assembly plants, which were reflected in fewer releases against contracts placed with suppliers, combined to curtail operations and employment at several fourth district automotive factories early in September, notably in divisions manufacturing ordinary nondefense items. Working forces that had been unusually large until the very end of the 1941 model year were reduced somewhat in August and further still during the first part of September, according to correspondents. In some instances, 20 to 40 percent fewer people were employed after Labor Day than a month earlier. Indications in mid-September were that there probably would have been more lay-offs had not numerous parts companies been working on defense orders.

Some concerns in mid-September reportedly were receiving less of such raw materials as copper, zinc, and wire than were needed to keep production at levels satisfactory to meet delivery dates specified by customers. Die casting divisions, which use principally zinc and aluminum, seemed to be the most seriously affected, though output of a few producers in the forefront of September was on a par with that of a year ago. In general there appears to have been a steady increase in the proportion of deferred shipments to total deliveries made by parts suppliers since mid-summer. Finished goods inventories have grown in size recently, perhaps indicating that many items complete except for some small but essential part have been added to stock.

Only since mid-September has output of American and Canadian automobile assembly plants dropped even nominally below the 1940 rate, as is shown in the accompanying chart. The April decline resulted when plants of a major manufacturer were closed by a labor dispute. United

States production was maintained at a relatively high level in August, an estimated 158,000 vehicles being made. This is more than twice as many as were assembled a year ago, and compares with 444,103 units in July.

Under the Office of Production Management orders restricting passenger car production in the last five months of the year to 67.8 percent of August-December 1940 output, competitive positions of the various manufacturers have been altered somewhat by comparison with last year. The volume producers are to curtail more than the so-called independents. On the basis of factory sales for the past three model years, however, competitive positions have remained essentially unchanged. At the time December passenger car quotas were announced, August-November production of light trucks for nonmilitary purposes was ordered cut nine percent below the 1940 level, or from 96,000 units to 87,000.

Although 43 percent fewer new passenger cars were registered in August than during July in the nine principal counties of the district there was a sharp increase in the number of chattel mortgages recorded in some localities.

Rubber and Tires

By mid-September the tire industry appeared to have made rather effective adjustment to existing conditions. Most manufacturers had standardized production, discontinuing, at least temporarily, some intermediate price lines, eliminated perhaps all but one grade of the slower-selling sizes, and ceased to make white sidewall casings, which require more crude rubber than all-black tires. Stocks that previously had been maintained in many warehouses scattered throughout the country were being consolidated at centralized distribution points for more efficient utilization.

With monthly crude rubber consumption restricted by Government order to successively smaller tonnages, tire production has been reduced materially below the levels reported earlier in the season, declining from 6,363,000 units in June to 5,603,000 in July and 5,005,000 last month. However, output was still well above that of last August; 4,676,000 casings were made a year ago. Truck tires, many of which are being built for use on motorized Army equipment, recently have accounted for a greater proportion of total production.

Both because of the usual seasonal movement and the Governmental action which limits new passenger car and light truck output, original equipment tire shipments to the automotive industry dropped from 2,000,000 casings in July to 1,123,000 in August. A year ago 857,600 units were shipped. There were some indications that dealers and distributors increased inventories during August. Manufacturers' deliveries of tires for replacement purposes totaled 4,146,000, compared with 3,335,000 last year and 4,316,000 in July. Special pre-Labor Day sales generally were not held this year as in the past, but consumers reportedly bought tires in anticipation of higher excise taxes.

Crude rubber imports were at an all-time peak of 105,456 gross tons in August as manufacturers received further large additions to inventories under commitments made months before. This is nine percent more than was imported during July and nearly twice as much as arrived in the United States a year ago. On September 1 the record total of 444,890 tons of crude rubber were stored in this country, a little more than half of it in the stockpile be-

ing built up by the Rubber Reserve Company, which is now the sole American buyer. Crude rubber consumption at 55,365 tons exceeded the August quota by three percent, reportedly because plants using ten tons or less per month are exempt under the restriction order.

Textiles and Clothing

Production at fourth district textile and needlework factories continued at near-capacity levels during late August and early September as orders for heavy weight merchandise were completed. Shops were approaching the end of the fall season, and salesmen shortly after Labor Day began showing new spring lines. Manufacturers reported in mid-September that in most cases they had been able to secure all the business for spring merchandise they could handle. Finished goods' shipments were well ahead of last year's, and dollar volume was substantially larger, partly as a result of increased prices.

Two important problems facing the industry have to do with the supplies of labor and of raw materials. Some clothing makers already have been compelled to use substitutes, which generally have proved satisfactory. Numerous shortages have arisen on account of priorities set up by the Government; silk thread, rayons, and practically any repair parts made of metal have become difficult to secure. A shortage of skilled help has developed, with the result that manufacturers have had to bring new workers into shops and immediately teach them various operations, in order that production schedules might be maintained at full rate.

Operations in the overall and cotton work garment trade during the first part of September were ahead of those of the previous month and last year. Here, as in the wool garment trade, the supply of materials has tightened. Shipments of finished goods in August continued heavier than those of last year.

Other Manufacturing

Trends in other important fourth district industries were mixed in late August and early September. Producers of ordinary civilian goods, made principally of metals, curtailed output because of material shortages. Manufacturers of style merchandise, such as shoes, maintained operations at unusually high levels for this season. Production of items used for defense purposes was increased, although some concerns experienced difficulties in obtaining materials. Slow deliveries of equipment delayed completion of a few new plants.

Machine Tools Members of the *National Machine Tool Builders' Association* delivered \$64,300,000 worth of machines to customers during August, an all-time record total for a single month. July shipments were valued at \$57,900,000 and those of a year ago at \$40,800,000. The sharp July-August increase reflected not only resumption of activity at several factories which had been closed for company-wide vacations during the earlier month, when considerable maintenance work was done, but also substantial further additions to working forces, opening of some new plants, and more extensive subcontracting. Occasional material shortages, despite the industry's high priority rating, interfered with schedules in some instances.

Foundries Supplies of pig iron, one of the primary foundry raw materials, are being distributed under priority action. Very little metal was available in September to consumers other than those producing items used in de-

fense manufacture, according to reports. Total output in recent months, however, has been greater than for many years, apparently because of improved shop methods rather than plant additions.

Limited blanket preference ratings were assigned to manufacturers of foundry equipment and repair parts in August. According to the *Foundry Equipment Manufacturers' Association*, companies in recent months have not been writing so many orders for new equipment as early this spring, but repair business is the heaviest ever reported.

Railroad Equipment Labor stoppages and material shortages of iron and wheels as well as plates, cut national production of commercial railway freight car builders, several of whom have shops in this district, from 5,921 units in July to 3,886 last month. This is the lowest level of the year. Work was resumed at a Western Pennsylvania car shop early in September, following settlement of a labor dispute. Receipt of materials enabled two Ohio manufacturers—one making standard gauge equipment and the other mine cars—to reemploy an estimated 600 persons who had been laid off temporarily in August.

Boatyards Fourth district boatbuilding yards, on both Lake Erie and the Ohio River, are the busiest in recent years. Fitting out of six anti-submarine net tenders and four deep-sea fishing trawlers, which in more ordinary times probably would have been built on the Atlantic Seaboard, was being continued at Lake yards in September. Six other Naval vessels had been delivered by that time, and eight steel mine sweepers were on order. Two ore and coal freighters to be completed for the 1942 navigating season are on Lake Erie ways; eight wooden mine sweepers also have been laid down. Sixteen steel mine planters are on order from companies located on the Ohio River. Contracts for 70 barges to transport coal and coke on the Monongahela River were awarded during September; two others were being built for Panama Canal service.

Electrical Equipment and Appliances While some increase in order volume was shown between July and August, fourth district manufacturers of heavy electrical equipment wrote a slightly smaller amount of new business last month than a year ago, when initial large orders for naval vessel propulsion machinery were received. Employment in the industry generally continued its upward trend in August, though numerous layoffs were reported in appliance divisions. Metal shortages were said to be responsible for a reduction of working forces in refrigerator departments, and further sharp curtailment was expected within the next few weeks. With the supply of small assembly parts limited, at least one small motor manufacturer cut operating schedules materially, laying off semi-skilled and unskilled workers.

Glass, Dinnerware Activity in all divisions of the glass industry this summer has been maintained at the highest level for that season in recent years. Commercial plate glass manufacturers during August made 14,126,000 square feet of polished glass, 13 percent more than in both the previous month and a year ago. Window glass output declined slightly from 1,281,000 boxes in July to 1,267,000 boxes the following month. Last August 993,000 boxes were produced. Three Western Pennsylvania window glass factories were closed by an industrial dispute during the forepart of September; a settlement involving wage in-

creases was reached in mid-month. Demand for window glass recently has been heavy, and companies unaffected by the labor stoppage shipped substantially larger amounts early in September than a year ago. Deliveries exceeded production, and expanded backlogs of all manufacturers indicated that late September operating rates would be continued for the next few months. Less new business for safety glass has been written since the ordered curtailment of new passenger car output, and production schedules in these departments have been reduced.

In the dinnerware and pottery division of the ceramics industry, orders booked in mid-September were not promised deliveries in less than 60-90 days. Plants were being operated at virtual capacity, an increase of some 10 to 15 percent over last year.

Paper, Paperboard With many mills working seven days a week, paper production in mid-September was at a new record rate of 104 percent of capacity, which is calculated on the basis of six-day operations. Fine papermakers were said to be supplying only regularly established customers, and some manufacturers of book papers reportedly were refusing to accept new business and were allocating output.

Production of paperboard reached successive all-time peaks in August and early September, despite the fact that not much waste paper was moving into sight. Large orders continued to be received, but backlogs declined moderately.

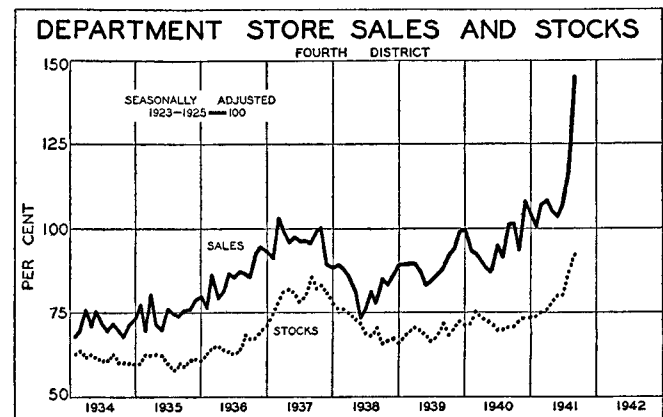
Ability to obtain raw materials reportedly is the determining factor in future activity at carton plants. New business booked early in September, as in other recent months, exceeded production, leaving unfilled orders which apparently were large enough to maintain current operating rates until the year end.

Shoes Seasonal movements have not been evident in the fourth district shoe industry this summer. Production of fall and winter lines has continued at an unusually high level since July. Salesmen went on the road with new styles after Labor Day, but mid-September reports did not indicate retailer demand for spring merchandise.

TRADE

Retail

Establishing an all-time record high for the second consecutive month, the seasonally adjusted index of fourth district department store sales rose 28 points in August to 145 percent of the 1923-25 average, as is shown in the accompanying chart. Dollar volume of reporting stores was up 41 percent from that of the same month last year, with all



departments registering gains. Sales of hosiery and major household appliances were over twice as large as those of August 1940. Basement store business was 32 percent better, a somewhat smaller improvement than the increase in upstairs store volume. This continues the trend evident recently; consumers have been buying better quality merchandise.

During the first two weeks of September, retail trade continued to show improvement; however, the gains over a year ago were not as great as those registered in the previous month. Compared with the corresponding period of last year, sales for the week ended September 13 were eight percent greater.

Consumer purchases at other stores in this district were also larger this August than last. Dollar volume of furniture stores was up 44 percent, and wearing apparel shops sold 45 percent more merchandise. Sales of chain grocery stores, per individual unit operated, were one-fourth larger than those of last August, and the chain drug trade, also on a unit store basis, reported an increase of five percent.

Department stores expanded inventories more than seasonally during August, raising the seasonally adjusted stocks index five points to 92 percent of the 1923-25 average, the highest level for any month since January 1930. Compared with a year ago, September 1 stocks were 31 percent larger. Outstanding orders on September 1, as a month before, were over twice as large as those on the corresponding date last year.

Regular charge sales accounted for nearly one-half of total August sales volume, and installment sales for 14 percent. Accounts receivable at the month end were 25 percent larger than those of last year, as against a 41 percent gain in sales. Collections were up 21 percent from those of August 1940. However, the proportion of accounts receivable on August 1 that were collected during the month did not change materially from that of the previous month or last year, although payments on installment accounts were somewhat better.

Wholesale Sales at 207 fourth district wholesale firms during August were 40 percent larger than those of last year, according to *Bureau of the Census* data. This increase was considerably larger than the gain of 30 percent reported for sales during the first eight months of this year as compared with those of the same period in 1940. With the exception of fresh fruits and vegetables, sales of all types of goods were up this August from last, the widest gains being reported by dealers in coal, electrical goods, clothing, and hardware, especially industrial supplies.

Stocks were increased two percent during August and at month end were 17 percent larger than those on August 31, 1940.

August collections represented 83 percent of the accounts receivable on the first of the month compared with 76 percent last year. The percentage gain in the volume of accounts receivable from a year ago was smaller than that of sales, indicating that a greater proportion of recent business has been for cash.

CONSTRUCTION

Contrary to national experience, the volume of construction contracts awarded in the fourth district during August was less than that of the previous month. The total was \$53,853,000, which represents a decrease of 27 percent

when compared with July. Although an increase was reported for the Northern Ohio territory, the decline in other parts of the district more than offset this gain. The decrease in the volume of building in the Western Pennsylvania area might be attributed partly to the large amount of defense construction contracted for in that territory during July, whereas in most other parts of the country the total of defense building was greater in August, accounting for over 50 percent of all contracts awarded that month.

Fourth district residential construction was down 23 percent from that of July, but 64 percent higher than that of last year. The greatest activity was of a speculative nature. Contracts awarded for one- and two-family dwellings for sale or rent amounted to over 60 percent of total August residential construction. The volume of non-residential building was down one-third between July and August, the decrease in factory construction alone being 40 percent.

Private money financed a larger proportion of building and engineering projects contracted for during August than in the previous month. These funds were used to pay for 51 percent of all building last month, compared with 28 percent in July. A year ago, however, 74 percent was privately-financed.

Building supply dealers in this district in mid-September reported that many materials were becoming increasingly scarce. This was especially true of products made principally of metal. There was a good supply of many grades of lumber, but others, particularly those used extensively by the Government and those upon which ceiling prices have been established, were more difficult to secure. Maximum prices recently were set for Douglas fir, and the ceiling prices on Southern pine, established late in August, were revised upward the following month.

AGRICULTURE

September 1 conditions still pointed to a considerably larger than average production of all principal fourth district field and fruit crops other than tobacco and grapes. Indicated yields in several instances were substantially above the 1923-32, or "pre-drought", level. Corn deteriorated somewhat early last month when it was hot and dry in most localities, but on the whole the weather since mid-August has been comparatively favorable for the development of most late crops.

The farm labor situation in practically all parts of this district has continued critical. Orchard and truck garden operators in areas adjacent to large industrial centers where there is much defense activity were particularly affected. A considerable amount of hay also was reported to have been lost on account of the help shortage. In certain localities, W. P. A. and other relief project workers were ordered to accept farm harvest jobs.

Corn Adverse weather in early August damaged the fourth district corn crop considerably, reducing indicated production four percent during the month. A wide variation was noted on September 1 in condition of the crop. In some areas a bumper harvest was in prospect, while in other localities yields were expected to be poor.

Tobacco Rainfall in tobacco growing sections of the district has been so spotted that at the time of the September crop report there was an extreme range of condition and probable yield. Part of the burley crop was planted

early and the remainder late. The early tobacco made quick growth and ripened rapidly during the dry weather in August when it was rather badly burned. Much of this crop was cut during the month; leaves were small and not particularly heavy. Tobacco set late grew under more favorable conditions, and most of it was still in the fields early in September. Prospects were for a rather high yield.

Soybeans Ohio farmers increased the acreage planted to soybeans from an average of 179,000 in the ten years 1931-40 to 640,000 this year. While the crop was damaged somewhat by hot, dry weather during the forepart of the previous month, September 1 prospects for a 19-bushel per acre yield were the second best in a decade. For several years, Ohio has been the fourth most important producing state, raising, this year, an indicated twelve percent of the national crop.

Fruits and Vegetables Larger than average crops of all fruits grown in the fourth district, with the exception of grapes, were in prospect at the time of the September crop report. This has been an unusually good year for apples, especially in Ohio. All varieties have done well. While the 1940 peach crop was a failure, this year's is about twice as large as the average during the ten years, 1930-39. The pear crop is also much heavier. Late August rains improved prospects for grapes which were coloring early and ripening fast; yields, however, were expected to be below average.

Fourth District Business Indexes

(1923-25 = 100)

	Aug. 1941	Aug. 1940	Aug. 1939	Aug. 1938	Aug. 1937
Bank debits (24 cities).....	120	90	78	70	92
Commercial Failures (Number).....	32	32	32	56	33
(Liabilities).....	17	16	16	23	12
Sales—Life Insurance (O. and Pa.).....	86	80	70	63	83
—Department Stores (48 firms).....	120	84	73	65	80
—Wholesale Drugs (9 firms).....	121	110	108	102	110
— " Dry Goods (5 firms).....	62	43	50	40	55
— " Groceries (42 firms).....	93	75	75	72	87
— " Hardware (38 firms).....	131	80	70	64	88
— " All (94 firms).....	110	79	71	67	84
—Chain Drugs (4 firms)*.....	116	111	90	89	96
Building Contracts (Total).....	113	75	66	70	61
(Residential).....	149	91	61	69	55
Production—Coal (O., W. Pa., E. Ky.).....	100	86	73	60	75
—Cement (O., W. Pa., E. Ky.).....	133	122	124	104	101
—Elec. Power (O., Pa., Ky.)**.....	265	218	185	168	189
—Petroleum (O., Pa., Ky.)**.....	115	117	117	117	135
—Shoes.....	133	122	139	140	136

*Per individual unit operated
**July

Debits to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended Sept. 17, 1941	% change from 1940	Year to Date		% change from 1940
			Year to Date Dec. 26, 1940	Year to Date Dec. 28, 1939	
Akron.....	93,571	+35.7	826,734	627,690	+31.7
Butler.....	11,611	+37.9	108,601	84,990	+27.8
Canton.....	49,868	+35.3	462,250	340,117	+35.9
Cincinnati.....	396,886	+36.9	3,699,595	2,908,018	+27.2
Cleveland.....	784,398	+34.8	7,073,790	5,385,660	+31.3
Columbus.....	207,453	+29.0	1,880,819	1,600,283	+17.5
Dayton.....	90,526	+36.9	827,957	624,569	+32.6
Erie.....	37,267	+37.1	340,959	259,544	+31.4
Franklin.....	4,097	+52.3	34,641	27,499	+26.0
Greensburg.....	9,012	+24.8	80,389	69,409	+15.8
Hamilton.....	14,676	+35.2	130,870	101,355	+29.1
Homestead.....	4,568	+36.6	38,088	31,781	+19.8
Lexington.....	17,510	+7.1	210,204	206,554	+1.8
Lima.....	16,624	+19.6	153,682	128,673	+19.4
Lorain.....	6,538	+18.2	57,367	48,352	+18.2
Middletown.....	16,831	+55.0	135,391	105,367	+28.5
Oil City.....	11,738	+33.8	99,255	90,898	+9.2
Pittsburgh.....	870,920	+14.4	8,105,561	6,291,304	+28.8
Sharon.....	11,181	+33.9	98,189	75,942	+29.3
Springfield.....	20,320	+26.7	190,496	151,533	+25.7
Steubenville.....	11,175	+19.8	101,353	88,219	+14.9
Toledo.....	163,919	+39.0	1,444,276	1,110,887	+30.0
Warren.....	16,381	+47.5	141,275	94,800	+49.0
Wheeling.....	28,468	+16.7	292,428	245,865	+18.9
Youngstown.....	65,949	+31.8	571,976	450,630	+26.9
Zanesville.....	9,918	+27.2	90,489	76,925	+17.6
Total.....	2,971,405	+27.6	27,196,635	21,227,064	+28.1

Wholesale and Retail Trade

(1941 compared with 1940)

	Percentage Increase or Decrease		STOCKS AUGUST
	SALES August	SALES first 8 months	
DEPARTMENT STORES (95)	1941	1941	1941
Akron.....	+59	+32	+36
Canton.....	+56	+39	a
Cincinnati.....	+36	+18	+40
Cleveland.....	+43	+24	+35
Columbus.....	+32	+17	+36
Erie.....	+50	+26	+27
Pittsburgh.....	+37	+17	+20
Springfield.....	+44	+27	a
Toledo.....	+32	+18	+41
Wheeling.....	+53	+24	+29
Youngstown.....	+36	+27	a
Other Cities.....	+44	+31	+31
District.....	+41	+22	+31
WEARING APPAREL (16)			
Canton.....	+61	+27	+26
Cincinnati.....	+33	+12	+17
Cleveland.....	+43	+15	+19
Pittsburgh.....	+35	+11	+13
Other Cities.....	+53	+18	+30
District.....	+45	+16	+21
FURNITURE (40)			
Canton.....	+47	+37	
Cincinnati.....	+66	+42	
Cleveland.....	+49	+30	
Columbus.....	+26	+20	
Dayton.....	+10	+22	
Toledo.....	+87	+57	
Other Cities.....	+34	+43	
District.....	+44	+33	
CHAIN STORES*			
Drugs—District (5).....	+5	+11	
Groceries—District (4).....	+26	+20	
WHOLESALE TRADE**			
Automotive Supplies (11).....	+35	+21	—4
Beer (6).....	+22	+20	+41
Clothing and Furnishings (4).....	+56	+26	a
Confectionery (4).....	+9	+9	a
Drugs and Drug Sundries (9).....	+10	+6	+15
Dry Goods (5).....	+44	+28	+10
Electrical Goods (10).....	+64	+66	+23
Fresh Fruits and Vegetables (6).....	—5	+7	+15
Furniture & House Furnishings (5).....	+32	+43	+45
Grocery Group (42).....	+25	+13	+27
Total Hardware Group (38).....	+63	+53	+28
General Hardware (12).....	+59	+37	+30
Industrial Supplies (15).....	+77	+86	+22
Plumbing & Heating Supplies (11).....	+44	+49	+38
Jewelry (4).....	+29	a	a
Machinery, Equip. & Sup. (exc. Elect.) (6).....	+45	+85	+17
Meats and Meat Products (5).....	+21	+19	+27
Metals (5).....	+73	a	—8
Paints and Varnishes (6).....	+3	+16	+10
Paper and its Products (7).....	+37	+22	+11
Tobacco and its Products (15).....	+11	+10	+6
Miscellaneous (16).....	+40	+36	—7
District—All Wholesale Trade (207).....	+39	+30	+17

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

Fourth District Business Statistics

(000 omitted)

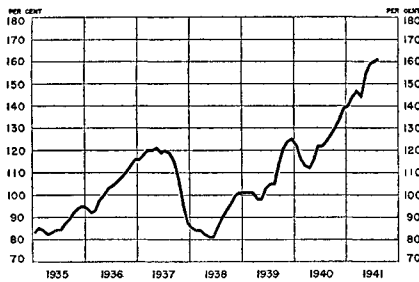
Fourth District Unless Otherwise Specified	August 1941		Jan.-August 1941	% change from 1940
	1941	% change from 1940		
Bank Debits—24 cities.....	\$3,265,000	+34	24,428,000	+28
Savings Deposits—end of month:				
40 banks O. and W. Pa.....	\$ 793,016	+1	a	
Life Insurance Sales:				
Ohio and Pa.....	\$ 83,256	+8	677,434	+6
Retail Sales:				
Dept. Stores—95 firms.....	\$ 36,369	+41	234,405	+22
Wearing Apparel—16 firms.....	\$ 1,607	+45	9,012	+16
Furniture—40 firms.....	\$ 1,666	+44	10,624	+33
Building Contracts—Total.....	\$ 53,853	+51	372,382	+51
" —Residential.....	\$ 25,686	+64	162,081	+39
Commercial Failures—Liabilities.....	\$ 750	+10	6,775	—17
" —Number.....	47	+2	462	—3
Production:				
Pig Iron—U. S..... net tons	4,785	+13	36,615	+25
Steel Ingot—U. S..... net tons	7,001	+13	54,735	+32
Bituminous Coal, O., W. Pa., E. Ky..... net tons	18,116	+16	121,393	+6
Cement—O., W. Pa., W. Va. bbls	1,594	+8	9,465	+18
Elec. Power, O., Pa., Ky..... thous. k.w.h.	2,227c	+21	15,237d	+19
Petroleum—O., Pa., Ky..... bbls.	2,120c	—2	14,273d	—7
Shoes..... pairs	e	+10	e	+16
Tires, U. S..... casings	5,005	+7	45,189	+13
Bituminous Coal shipments:				
L. E. Ports..... net tons	7,381	+17	28,337	—12

a not available
b actual number
c July
d January-July
e confidential

Summary of National Business Conditions

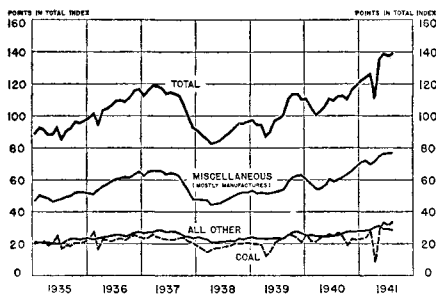
By the Board of Governors of the Federal Reserve System

INDUSTRIAL PRODUCTION



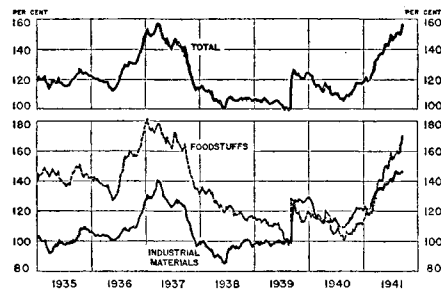
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to August 1941. Latest figure — 161 (preliminary).

FREIGHT-CAR LOADINGS



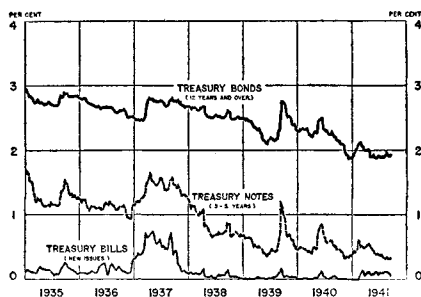
Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Sub-groups shown are expressed in terms of points in the total index. By months, January 1935 to August 1941. Latest figures — Total 139, Coal 33.5, Miscellaneous 77.2, All Other 28.7.

WHOLESALE PRICES OF BASIC COMMODITIES



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939 = 100. Thursday figures, January 3, 1935 to September 11, 1941. Latest figures — Total 156.5, Foodstuffs 171.7.

MONEY RATES IN NEW YORK CITY



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to September 13, 1941.

Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

Production

In August industrial output increased somewhat more than seasonally and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were sharp further advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near-capacity rates.

In the automobile industry output of finished cars declined sharply as plants were closed during the changeover to new model production and output in factories producing bodies and parts also was reduced considerably. In the first half of September automobile assemblies increased as production of new models was begun but from now on, owing to Government restriction on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries production in August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines coal production in August, as in other recent months, was unusually large for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month.

Value of construction contract awards showed a further sharp increase in August and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced for publicly-financed projects. Awards for residential building continued to increase.

Distribution

Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 average as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September department store sales declined from the peak reached in the latter part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased, following some reduction in July, while loadings of grain, which had been large since last spring, declined.

Commodity Prices

Wholesale prices of most groups of commodities continued to advance from the middle of August to the middle of September. Prices of grains, other foodstuffs, and cotton showed large increases and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

Agriculture

The outlook for agricultural production in 1941 showed little change during August. Crop prospects were reduced slightly by drought but aggregate crop production is expected to be two per cent larger than last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about \$10,700,000,000, compared with \$9,120,000,000 in 1940.

Bank Credit

Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks.