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Fourth Federal Reserve District
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Fourth district business continues on a selective basis. Activity in industries participating most directly in the war effort increased in May and the forepart of June. In the consumers' goods field, output of numerous articles, chiefly of the durable type, has been restricted by Federal order. Manufacturers also have curtailed production because of reduced demand as well as material scarcities. Shortages have been experienced even by war industries.

Working forces in some lines have been reduced, but in total, employment in this district remained at a peak level in the latest period. Few layoffs of sizable proportions were reported, and those workers who were furloughed generally were rehired almost immediately at plants expanding war work. In many localities, the supply of skilled and semiskilled labor has been virtually exhausted. As a consequence, numerous concerns have revised employment standards, further simplified operating procedures, increased the practice of "up grading", and have hired women for work formerly done only by men. In some areas, the farm labor situation is fast reaching a critical stage; supply of harvest workers is much smaller than in previous years, though farm wages have risen rather sharply in a number of sections.

Aggregate fourth district industrial payrolls increased slightly further in May. Adjustments in wage rates were reported in several instances, and although length of the work week was reduced in a few plants, overtime continued to be the rule rather than the exception.

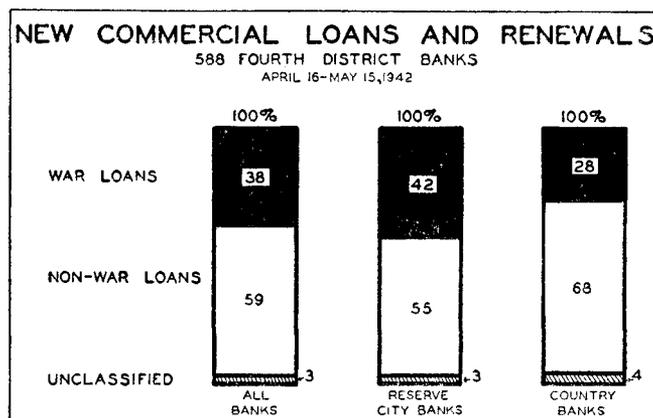
High individual earnings have not been reflected in retail trade volume to the same extent in recent weeks as earlier this year or in mid-1941 for a variety of reasons. In the four weeks ended June 20, dollar sales of reporting fourth district department stores were only fractionally larger than those of last year. Taking into account the general rise in prices during the past twelve months, physical volume of trade has declined below year ago levels.

Some stability in living costs was indicated in a special survey made by the *Bureau of Labor Statistics* on June 2. In the first two weeks after the General Maximum Price Regulation became effective at the retail level, living costs in the three largest cities of the district declined approximately $\frac{1}{4}$ of one percent. This is the first decrease registered since October 1940. Food prices were slightly higher on June 2 than two weeks before; a 15 percent advance has been recorded during the past year.

FINANCIAL

Member Bank War Financing Loans representing the financing of war activity accounted for 38 percent of the dollar volume of all commercial and industrial credit extended by member banks in all sections of the fourth district in the month ended May 15, 1942. A special survey was made recently covering loan activity in the month at 588 banks. The total volume of loans and renewals covered in the analysis was \$148,104,000, but only \$133,817,000 of such loans was classified as to purpose of the loan or renewal. The number of loans covered in the survey was 10,676, of which 2,037 represented defense loans and renewals. The average new war loan or renewal was approximately \$25,000, whereas the average new loan or renewal for other than war purposes was slightly under \$10,000. Despite this large dollar volume of new loans and renewals, total commercial and industrial loans of these reporting banks declined \$3,000,000 in the month, indicating that total loan payments exceeded new loans and renewals. This was evident at both large and small sized banks.

As might be expected, war financing was relatively more important in relation to total loan activity at reserve city banks than at country banks. At 32 reserve city banks (Cincinnati, Cleveland, Columbus, Pittsburgh, and Toledo), 42 percent of slightly more than \$100,000,000 of new loans and renewals made in the month represented the financing of war activity. In addition, 1.6 percent of all loans made



were classified as representing both war and nonwar operations, while 1.3 percent of total loans were not classified. At 556 reporting country banks, whose total new loans and renewals in the period amounted to \$47,000,000, 28 percent were classified as war loans, 68 percent for ordinary commercial and industrial purposes, and 4 percent were either not classified or considered as being for both war and ordinary purposes. These figures, together with those covering all reporting banks, are shown in the accompanying chart.

In addition to the above classification, many banks felt that the financing of such activities as food processing and marketing, which are supplying military as well as civilian requirements to a greater degree than is normally the case, should be considered in part as war financing. Provision in the survey was not made for such a breakdown.

The accompanying table shows the dollar amount of new loans and renewals made by these reporting banks to thirteen major industrial or trade groups, and the percent of new and renewed loans in each group reported as representing war financing. In those lines such as metal products, chemicals, construction, and metal mining, where war preparations have assumed a major position, war financing has assumed a dominant role, both in new loans made and renewals of outstanding loans.

The great bulk, 98 percent, of commercial and industrial loans and renewals covered by this survey mature in one year or less. Only one percent of the new loans for war purposes, and no renewals, which are similarly classified, extend over more than a year.

Additional information obtained from this survey will appear in the next REVIEW.

INDUSTRIAL AND COMMERCIAL LOANS AND RENEWALS
APRIL 16-MAY 15, 1942
588 FOURTH DISTRICT MEMBER BANKS

	Total New Loans	New War Loans	New War Loans as % of Total Loans	Total Renewals	Total War Loan Renewals	War Loan Renewals as % of Total Renewals
Trade	10,632	1,189	11	17,760	815	5
Finance	6,358	44	1	5,680	21	..
Service	1,208	217	20	1,609	79	5
Metal Mining	683	509	75	1,322	1,232	93
Metal Products	16,604	15,664	94	11,141	9,966	89
Petroleum	1,139	194	17	1,208	107	9
Chemicals	1,376	767	56	684	452	66
Textiles	2,517	1,062	42	2,957	812	27
Food	4,931	234	5	4,630	134	3
Other Manufacturing	6,487	3,306	51	5,466	2,539	46
Utilities	4,712	1,136	24	721	34	5
Construction	9,179	7,557	82	5,263	2,501	48
All Other	2,365	550	23	5,446	185	3
Total	69,389	32,429	47	64,428	18,887	29

*Includes some unclassified loans.

Bank Instalment Credit Consumer instalment debt to leading banks in the fourth district which have been reporting such data recently was reduced 4.3 percent in May. This followed a contraction of 8.9 percent in April. The accompanying chart shows fluctuations in total consumer instalment loans, cash instalment loans, credit extended either direct or through the purchase of instalment paper representing the sale of merchandise, and all other instalment loans made by banks reporting such information.

Since December, the greatest liquidation in consumer instalment bank credit occurred in that debt arising out of the sale of merchandise to consumers. The contraction

has been 30 percent. Personal cash loans made by these reporting banks were down only three percent as of May 31, compared with the end of last year. In March personal cash loans actually increased, reflecting in part the borrowing of funds for tax purposes. Compared with September, the month in which Regulation W, pertaining to the extension of instalment credit, became effective, personal instalment cash loans have dropped about ten percent, but in the eight-month interval total consumer instalment debt to leading banks in this district was reduced 25 percent.

CONSUMER INSTALMENT LOANS
30 Banks—Fourth District
(December 1941=100)

	Total	Personal Cash Loans	Retail Loans & Paper Purchased	All Other
Sept. 30, 1941....	106.3	106.0
Dec. 31, 1941....	100.0	100.0	100.0	100.0
Feb. 28, 1942....	91.8	97.8	88.5	93.3
Mar. 31, 1942....	92.6	107.4	85.6	93.3
Apr. 30, 1942....	84.4	101.6	74.3	90.4
May 31, 1942....	80.8	96.9	70.4	89.2

War Bond Sales

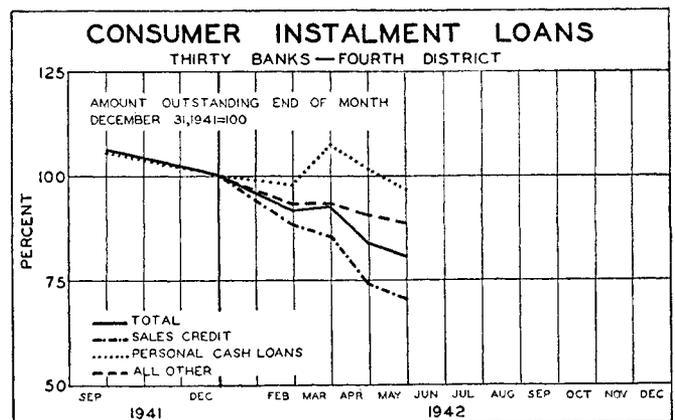
Through June 27, sales of war bonds of series E, F, and G by financial institutions and through payroll allotment programs operating in the fourth district failed to equal the rate reported in May. With June quotas for the entire country one-third higher than those of May, it would appear that the June goal was not being attained locally. Sales of war savings bonds in June up to the 27th of the month totaled \$39,530,000, compared with \$44,814,000 in all of May.

Reserve Bank Credit

There was some increase in bills discounted for member banks in June over the May level, but the total amount involved was still only nominal. Industrial advances also rose by approximately \$50,000 but combined discounts and advances totaled only \$334,000 on June 17; a year ago they were \$479,000.

In conjunction with the System's open market operations this bank's holdings of notes, certificates and bills increased \$14,000,000 in the four weeks ended June 17. Short-term securities have been acquired under the System's recently established policy of buying all bills offered at a fixed rate of interest, $\frac{3}{8}$ percent. Total security holdings on June 17 were \$44,000,000 larger than a year ago.

There was an increase of \$28,000,000 in circulation of this bank's Federal reserve notes in the four latest weeks. This was somewhat greater than the increase experienced



in earlier months of the year. Since January 1 note circulation has expanded over \$100,000,000.

Reserve deposits of member banks increased in recent weeks, in part as a result of the contraction in U. S. Treasury deposits to the lowest level of the year. Excess reserves dropped in the last half of May, chiefly because of an increase in required reserves against expanding deposits, although money in circulation also was a factor.

Member Bank Credit Total loans made by weekly reporting banks in leading cities of the district dropped in mid-June to the lowest level in nearly a year. Commercial and industrial loans, although fluctuating somewhat in early June, increased around mid-month to the level evident during May. Other loans, except those to brokers and on securities, were reduced slightly in the first three weeks of June. Bank holdings of Government securities increased by more than two percent in the four weeks ended June 17, with Treasury bills and notes accounting for the rise. A year ago, local reporting banks held only \$8,000,000 of Treasury bills; on the latest date they had \$52,000,000. The increase in the total supply of bills and the higher rates on recent issues, have contributed to the greater distribution of Treasury bills among fourth district banks.

Demand deposits of these large banks fluctuated somewhat in early June, rising to a near high level of \$2,114,000,000 in the second week, a gain of \$300,000,000 since the beginning of the year. Time deposits continued to contract moderately.

New Member Banks

The Bank of Mount Eaton Company, Mount Eaton, Ohio.

The Peoples Banking Company of Lewisburg, Lewisburg, Ohio.

The Twin Valley Bank, West Alexandria, Ohio.

The First State Bank of West Manchester, West Manchester, Ohio.

MANUFACTURING, MINING

Iron and Steel Steel mills in the fourth district, as elsewhere throughout the country, continued to operate at a high rate during May and the first part of June. National ingot production for May was 7,387,000 net tons, the second largest for any month in history, being only 6,000 tons under the record total reported in March.

Scrap has been moving to melters in somewhat greater quantities recently, so that the necessity for doing maintenance work has become the principal factor determining operating rates. Steel mills used 4,857,000 gross tons of scrap metal during May, an all-time record amount. Despite this peak consumption, many steel plants were able to accumulate some scrap inventories, though not so much as at that time in previous years.

The number of new orders received by steel producers declined during May and early June from the large volume of previous months, but the total tonnage booked continued to exceed output and shipments. Greatest demand was still for heavy items, such as semifinished steel for lend-lease purposes and plates. In May, for the first time in history, more than 1,000,000 tons of steel plates were made.

Pig iron production figures are no longer available for publication, but judged by iron ore consumption, May out-

put was about the largest in history. Blast furnaces depending principally upon supplies of Lake Superior ore used 7,240,000 gross tons during May. This is an all-time record tonnage that compares with 7,007,000 tons in April and 6,232,000 tons a year ago.

With one exception all of the 298 vessels in the American Great Lakes ore fleet were in service on June 15; one former automobile carrier was being converted to the ore trade. Last year there were 292 American boats carrying ore; the six freighters added to the fleet this year are converted automobile and grain carriers.

During May, American ore carriers, aided by 25 boats of Canadian registry, loaded 12,677,000 tons of iron ore at upper Great Lakes' docks, a new record tonnage which exceeds the previous high of August 1941 by approximately 1,200,000 tons. Although foggy weather hampered lake navigation early in the month, the rate of ore receipts at Lake Erie docks during the first three weeks in June was slightly higher than that of May.

Ore inventories on unloading docks and at consuming furnaces on June 1 totaled 25,199,000 tons, roughly 3,250,000 tons more than on the same date last year. Net additions to stocks during May approximated 5,000,000 tons.

Manufacturing Industries

Activity in fourth district manufacturing industries has become more and more dependent on the extent to which plant facilities are being utilized in the war effort. Producers of items required for either primary or secondary war purposes have been operating at practical capacity; manufacturers of civilian goods have curtailed output not only because of Governmental restrictions, but also because of a slackening in demand for some articles. A number of concerns, even those doing war work, have had difficulty in obtaining raw materials, and that experience was more widespread in May and the forepart of June than earlier in the year.

Machinery production was increased further to new high levels in May. Working forces were again augmented, and some new production facilities in this district were put in operation. Owing to changes in requirements, customers canceled some of the orders placed in March for extended deliveries. Machine tool company bookings in that month reportedly were the largest in history and resulted from a Government statement advising plants planning to enlarge manufacturing facilities to arrange for equipment. Material supply has become a problem of several machinery companies.

Federal allocations of pig iron reportedly have worked out satisfactorily in the foundry trade. Grey iron foundries generally have produced and shipped in about the same volume as new business has been received, but demand for steel castings has exceeded aggregate shop capacity. As a consequence, order backlogs have increased and deliveries are delayed.

Fourth district concerns formerly manufacturing automobile parts and subassemblies have largely converted to war work. Operations were at a high rate in May and early June, though a number of companies were experiencing difficulty in securing materials.

Production of both window and plate glass declined from April to May. Less plate glass was polished by commercial producers during May than in any other month for four years; output totaled 4,310,000 square feet. Dur-

ing May, 1,557,000 boxes of flat drawn glass were made, five percent less than in April, but 21 percent more than a year ago. The recent decrease was attributable primarily to a slackening in demand from the construction industry, most importantly from millwork shops making glazed door and window sash. A labor dispute temporarily closed some departments in three fourth district window glass factories early in June. Glass container plants have continued to operate in excess of rated capacity for some time by extending length of the work week. Material supply has not been a particular problem in the glass industry, but labor turnover has been. Considerable numbers of former glass workers have gone into higher paying war jobs.

A similar experience has been reported in the ceramics industry. New order volume for dinnerware declined markedly from the middle of May to mid-June. Plants continued to operate at virtual capacity, however, and the backlog of unfilled orders was reported to be large enough to maintain this high rate until early July.

Demand for both paper and paperboard continued to decline during May and the first part of June, with the result that operations at manufacturing plants were reduced further. According to the *American Paper and Pulp Association*, paper mills in mid-June were producing at the lowest rate in more than a year. Activity has been curtailed most in book paper divisions, owing to a decrease in magazine and other advertising by business concerns generally. The tonnage of paperboard made in recent weeks has been the smallest for any period since early 1940. Most plants have reduced the work week from seven to five days. Fourth district carton manufacturers received little new business during the first weeks of June; the backlog of unfilled orders was decreasing rapidly, since operations continued at a high rate. Supplies of waste paper, a material used in papermaking, have accumulated in large quantities at consuming mills and elsewhere, and prices have dropped sharply below the ceilings established by the Office of Price Administration.

Most fourth district clothing manufacturers had not formally introduced fall merchandise by mid-June. Initial showings ordinarily have been held late in April; this year they have been delayed pending clarification of a situation where wage increases went into effect soon after the period selected as the base for maximum prices. Nevertheless, needlework shops have been producing men's ready-to-wear, building up finished goods inventories rather than filling orders.

Fall lines of shoes were opened to the retail trade in late April and by mid-June many salesmen had come off the road. Retailers this year are reported to have placed orders somewhat sooner than usual and in large volume. Fourth district factories started making fall merchandise earlier this year than heretofore. A considerable amount of so-called fill-in business also was received, with the result that output declined less than seasonally from April to May. In fact, May shoe production in this district was the largest for any similar month in the twenty years of record.

Coal The market for bituminous coal continued strong during May and the first part of June, and the brisk demand naturally was reflected in a high operating rate at fourth dis-

trict mines. May production, amounting to 19,185,000 net tons, was fractionally smaller than that of April, but the largest for any May since 1923.

Industrial consumers in May and early June were adding further to already large stockpiles. On May 1, the latest date for which complete inventory information is available, industrial concerns had more coal in storage than at any other time in the ten years of record. Combined industrial and retail stocks, totaling 61,832,000 net tons, were the second largest for any date since late 1927. Aggregate inventories on January 1, 1942, in the middle of the heaviest consuming season, were about 1,000,000 tons greater.

Several fourth district coal distributors in mid-June reported that retail dealers were still very active in the market, but some others experienced a decline in new business volume from this trade, which supplies domestic consumers. It was generally considered that people who burn solid fuel for household heating purposes had by that time bought a large portion of their next winter's requirements, and that many orders ordinarily received late in the summer or in the fall already had been filled.

Demand for practically all grades of coal from upper Great Lakes' sources was heavy in May and the forepart of June, and considerable tonnages were moving into Canada, principally to munitions plants. During May, 6,251,000 net tons of cargo and fuel coal were loaded into bulk freighters at Lake Erie docks, compared with 5,445,000 tons in April and 4,870,000 tons a year ago, the month in which a protracted mine strike was settled. After June 1, the movement of coal over the Great Lakes was somewhat restricted by Federal order.

TRADE

Department Store Inventories Despite the record volume of sales experienced by fourth district department stores in the past year, merchandise managers of practically every department have been able to accumulate a large volume of goods. Feeling that the source of supply for many kinds of merchandise might be cut off or severely limited, while demand for goods of all kinds probably would increase as payrolls rose, there was a distinct ordering ahead in most lines. Department stores in this section on several occasions reported the volume of outstanding orders 250 percent larger than on the corresponding dates of the previous year. As these goods were received in the latter part of 1941 and the first four months of this year, the index of department store inventories advanced rapidly. At the present time total store inventories are more than twice as large as they were in January 1941. When allowance is made for seasonal differences, the increase is 89 percent. Inventories are valued at selling price. They reflect the advance in costs that has occurred in the past year. While no exact index showing the extent to which department store prices have risen is available, it is generally reported that retail prices are about 20 percent higher than they were a year ago. To that extent the increase in the value of stocks should be discounted if comparisons are made on a physical volume basis.

At the end of May, reporting department stores in this area indicated the retail value of their inventories was 67 percent larger than on the corresponding date of 1941. One store reported inventories more than double a year

ago; ten stores reported increases of 75-100 percent; 22 stores reported stocks 50-75 percent larger than last year, and only 16 stores in this area reported increases of less than 50 percent. In addition, these same stores reported outstanding orders 35 percent larger than at the end of May 1941.

Indexes of total inventories of reporting department

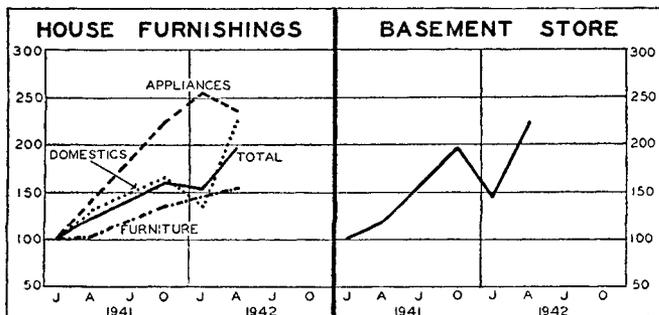
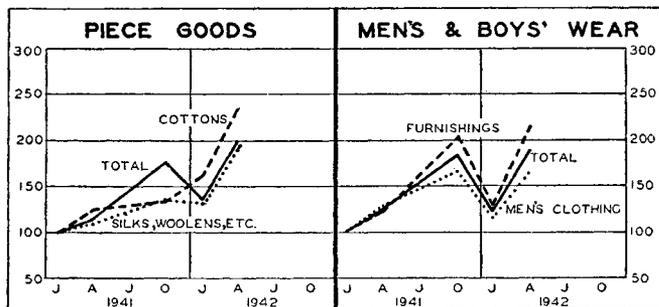
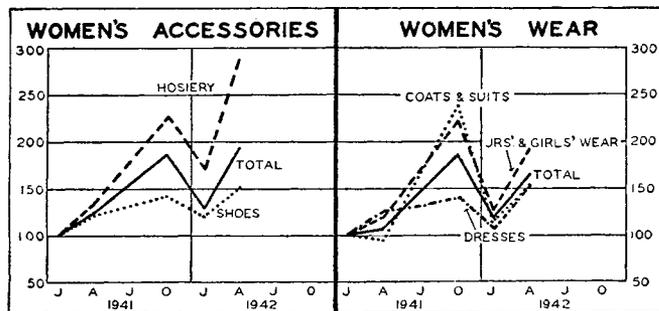
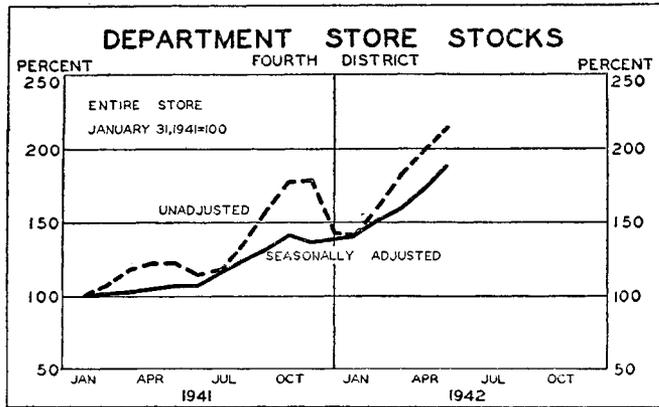
stores and leading departments are shown in the accompanying charts and table. Stocks as of January 31, 1941, the end of the department store fiscal year, are taken as 100. Indexes of total inventories, unadjusted and seasonally adjusted, are available monthly. Departmental inventories are available only quarterly. Figures are for an identical group of stores, although the number varies considerably in each department. The largest number reporting for any one department is 51, with the average number reporting 37. In the departmental inventory figures no attempt is made to adjust the figures for seasonal changes.

Inventories of piece goods at the end of April were 72 percent larger than a year ago. They were double what they were at the beginning of the 1941 department store year, but apparently there is a seasonal rise in piece goods inventories from January to April. Cotton wash goods have increased more proportionately than have inventories of silks, velvets, and woolen dress goods.

In women's ready-to-wear accessories, inventories were 54 percent larger than a year ago, and up 93 percent from January 1941. The increase from January 1942 to April 1942 was much larger than was evident in the same period of the previous year. Inventories of hosiery, despite the fact that silk has not been available for processing for nearly a year, were 117 percent larger than a year ago and 288 percent as large as in January 1941. Other women's accessory items increased from 40 to 167 percent in the fifteen months ended with April 1942.

In the women's and misses' apparel departments, where style is an important factor working against the accumulation of large inventories, sizable gains, nevertheless, were shown. Total women's apparel stocks were up 53 percent from a year ago with blouses, skirts, and sportswear nearly double, but fur inventories were up only 33 percent. In men's and boys' clothing departments increases in inventories since January 1941 have ranged between 67 and 111 percent, with men's furnishings showing a somewhat larger increase than men's clothing. Inventories of boys' wear were more than double. In the house furnishings departments, many of which have been affected by the cutting off of strategic metals, April inventories were still double what they were in January 1941. Inventories of major household appliances, such as stoves, refrigerators, washers, etc., were up 139 percent in the fifteen-month period, and were 69 percent larger than at the end of April of that year. Smallest increases in the housewares departments were in furniture and china and glassware, and even here gains of 57 percent were reported in the fifteen-month period.

Basement departments of reporting department stores showed larger inventory increases than did the entire store. Where such figures are available, inventories were 125 percent larger than at the beginning of 1941, with inventories of men's and boys' clothing up 140 percent and house furnishings 131 percent. This situation may result from the fact that there has definitely been a "trading up" at department stores, with larger sales being reported in the upstairs departments or higher-priced lines. Department store managers, however, realizing that soon many of these articles will disappear from shelves, have continued to purchase for all departments alike, feeling that later a demand for this merchandise will also develop.



INDEX NUMBERS OF DEPARTMENT STORE STOCKS (January 31, 1941=100)	DEPARTMENT			
	April 1941	October 1941	January 1942	April 1942
ENTIRE STORE—TOTAL	122	178	140	200
PIECE GOODS—TOTAL	115	177	137	200
Silks, Velvets, Woolen Goods	110	137	133	196
Cotton Wash Goods	124	135	161	233
SMALL WARES:				
Laces, Trimmings, etc.	115	147	119	146
Notions	129	157	133	210
Toilet Articles, Drugs	124	188	141	230
Silverware and Jewelry	125	181	134	191
Art Needlework, Art Goods	117	136	121	170
Books, Stationery	117	184	132	180
READY-TO-WEAR ACCESSORIES—				
TOTAL	125	188	129	193
Neckwear and Scarfs	119	199	141	185
Handkerchiefs	145	275	166	267
Millinery	145	143	104	149
Gloves	115	195	109	140
Corsets and Brassieres	122	149	114	203
Hosiery (Women's and Children's)	132	229	170	288
Women's Underwear	125	222	125	198
Infants' Wear	119	201	136	197
Leather Goods (small)	129	235	125	213
Shoes (Women's and Children's)	124	141	120	153
WOMEN'S AND MISSES' READY-TO-WEAR—TOTAL	109	188	119	167
Coats and Suits (Women's and Misses')	96	239	113	154
Dresses (Women's and Misses')	125	140	108	152
Blouses, Skirts, Knitgoods, Sportswear	125	174	135	248
Juniors' and Girls' Wear	120	222	126	191
Aprons, House Dresses, and Uniforms	130	152	129	193
Furs	81	187	116	105
TOTAL WOMEN'S WEARING AP- PAREL	119	189	125	183
MEN'S AND BOYS' WEAR—TOTAL	126	183	121	190
Men's Clothing	130	168	117	164
Men's Furnishings (incl. hats & caps)	124	202	127	211
Boys' Clothing and Furnishings	126	192	128	205
Men's and Boys' Shoes	121	153	114	167
HOUSE FURNISHINGS—TOTAL	121	161	154	199
Furniture, Beds, Mattresses, Springs	102	136	148	157
Domestic Floor Coverings	115	145	145	203
Draperies, Curtains, Upholstery	134	156	133	190
Lamps, Shades	124	186	158	245
China, Glassware	121	151	128	157
Major Household Appliances	141	223	258	239
Housewares	138	193	194	269
Domestics, Blankets, Linens	131	168	136	224
MISCELLANEOUS:				
Toys and Games	108	331	148	249
Sport Goods	111	196	169	222
Luggage	129	218	163	249
BASEMENT STORE—TOTAL	119	198	145	225
Women's, Girls' Apparel and Accessories	113	209	145	230
Men's and Boys' Clothing and Furnishings	131	240	147	241
House Furnishings	115	166	154	231
Piece Goods	116	141	137	212
Shoes	132	162	131	196

Retail

Various factors have influenced department store sales in recent weeks. Perhaps one of the most important is the General Maximum Price Regulation which became effective at the retail level on May 18 and established ceiling prices on most commodities handled by department stores at the highest level prevailing in each individual store in March. This Federal order has removed, at least temporarily, one incentive consumers had last year and earlier this year to buy ahead in anticipation of higher prices. Much purchasing also was done by individuals expecting certain articles to be scarce or of poorer quality. The quantities of goods bought in advance of needs for these reasons has been another factor. When comparisons with a year ago are made it should be remembered that trade was expanding at that time under the stimulus of increasing employment and rapidly rising payrolls.

For some of the reasons listed above, fourth district department stores experienced a less than seasonal increase in sales from April to May, and the seasonally adjusted index dropped 16 points to 105 percent of the 1923-25 average. It was 103 in May 1941. The change from a year

ago was narrow chiefly because of a sizable decline in the dollar volume of departments handling clothing and house-furnishings, types of merchandise which consumers bought in large quantities in previous months. Sales of piece goods were 23 percent greater this May than last. Experience in other lines varied, with some departments showing slight gains and others registering small losses.

Reporting apparel shops in this district sold five percent less merchandise, on a dollar basis, during May than a year ago. As in the case of department stores, these retail outlets have continued to increase inventories. Stocks on June 1, 1942 were 61 percent larger than those of June 1, 1941; outstanding orders were up 43 percent. During May, apparel stores collected 36 percent of accounts receivable at the beginning of the month, a slightly greater proportion than in either April or last May. Collections in the latest month were 17 percent greater than those of a year ago.

Dollar sales of individual stores in reporting fourth district grocery chains increased six percent from April to May, in which month they were 26 percent larger than those of a year ago. For chain drug companies, also on a unit store basis, the increases were four percent and twelve percent, respectively.

Wholesale

May sales of 200 fourth district wholesale concerns reporting to the *Bureau of the Census* were six percent larger than those of a year ago. This year-to-year improvement, which is the narrowest registered in any month since late 1940, reflects expanding activity in May last year more than the decline in volume in the latest month. Unlike department stores and apparel shops, wholesale merchants generally reduced inventories slightly during May; stocks on June 1, however, still averaged 13 percent greater than those a year earlier. Collections were 18 percent larger this May than last.

CONSTRUCTION

The fourth district war construction program was intensified in May. A further sharp expansion in nonresidential building, chiefly of new manufacturing plants, more than nullified a substantial decline in residential activity. Aggregate awards for the period, totaling \$62,220,000, were the third largest for any month since late 1929, being exceeded by relatively narrow margins in May and July of last year. In both of those months, large amounts of residential building were contracted for, principally by private capital.

Two-thirds of all contracts awarded in Ohio, Kentucky, northern West Virginia, and western Pennsylvania during the latest month were classified as defense construction by the *F. W. Dodge Corporation*. Another 15 percent were other public projects, including roads and municipal services. The remaining 18 percent were private building, most of which presumably were essential to the war effort or necessary for public health and safety. Last year defense construction in this section represented only 15 percent of the month's total. Other publicly-financed work accounted for an additional 31 percent, and private building for the balance, or 54 percent.

Fourth district lumber and building supplies distributors experienced a further sharp decline in new order

volume from private building sources early in June; demand was primarily from Government projects for common construction lumber and from industrial consumers for crating materials. Retail yards were reported to be buying very little. Some concern was expressed about lumber inventories which were being depleted because under terms of a Federal directive issued early in May shipments of construction lumber from the larger producing mills were restricted to deliveries for use by the Army, Navy, and Maritime Commission.

Wholesale and Retail Trade

(1942 compared with 1941)

	Percentage Increase or Decrease		
	SALES May 1942	SALES first 5 months	STOCKS May 1942
DEPARTMENT STORES (96)			
Akron.....	+ 3	+26	+78
Canton.....	-12	+19	a
Cincinnati.....	- 9	+15	+104
Cleveland.....	- 1	+23	+69
Columbus.....	- 3	+16	+72
Erie.....	+10	+27	+65
Pittsburgh.....	- 7	+16	+72
Springfield.....	-11	+10	a
Toledo.....	- 4	+18	+69
Wheeling.....	- 6	+14	+39
Youngstown.....	-16	+ 9	a
Other Cities.....	-18	+ 9	+81
District.....	- 6	+18	+75
WEARING APPAREL (16)			
Canton.....	- 1	+24	+71
Cincinnati.....	-21	+15	+45
Cleveland.....	- 2	+24	+50
Pittsburgh.....	- 8	+20	+77
Other Cities.....	+ 6	+22	+72
District.....	- 5	+21	+61
CHAIN STORES*			
Drugs—District (5).....	+12	+16	
Groceries—District (4).....	+26	+35	
WHOLESALE TRADE**			
Automotive Supplies (10).....	- 1	+14	+22
Beer (5).....	+11	+21	+38
Clothing and Furnishings (3).....	- 0	+12	a
Confectionery (5).....	+25	+28	+ 3
Drugs and Drug Sundries (6).....	+ 7	+13	+25
Dry Goods (7).....	+11	+34	+25
Electrical Goods (13).....	-12	+ 8	-18
Fresh Fruits and Vegetables (6).....	+ 3	+14	+43
Furniture & House Furnishings (3).....	-47	a	a
Grocery Group (45).....	+ 2	+19	+27
Total Hardware Group (36).....	+18	+32	+10
General Hardware (10).....	+ 3	+25	+14
Industrial Supplies (14).....	+ 9	+45	+ 3
Plumbing & Heating Supplies (12).....	-49	+17	-12
Jewelry (4).....	+10	a	+18
Lumber and Building Materials (3).....	+11	- 0	a
Machinery, Equip. & Sup. (exc. Elect.) (5).....	+18	+27	-17
Meats and Meat Products (6).....	+24	+31	+14
Metals (3).....	-17	-16	a
Paints and Varnishes (5).....	-24	+11	+23
Paper and its Products (5).....	- 3	+29	a
Tobacco and its Products (14).....	+ 5	+13	- 0
Miscellaneous (16).....	+14	+21	- 0
District—All Wholesale Trade (200).....	+ 6	+19	+13

* 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 Indexes

(1923-25 = 100)

	May 1942	May 1941	May 1940	May 1939	May 1938
Bank debits (24 cities).....	131	115	90	77	72
Commercial Failures (Number).....	36	45	54	52	54
(Liabilities).....	12	12	25	14	38
Sales—Life Insurance (O. and Pa.).....	65	91	84	78	69
—Department Stores (48 firms).....	113	111	94	89	79
—Wholesale Drugs (6 firms).....	98	92	91	92	87
— Dry Goods (7 firms).....	71	64	52	45	38
— Groceries (45 firms).....	79	77	71	66	64
— Hardware (36 firms).....	153	130	82	73	69
— All (94 firms)*.....	101	91	71	66	62
—Chain Drugs (4 firms)*.....	128	115	94	a	90
Building Contracts (Total).....	130	133	71	65	44
— (Residential).....	77	147	94	68	48
Production—Coal (O., W. Pa., E. Ky.).....	106	96	78	33	45
—Cement (O., W. Pa., E. Ky.).....	128	117	94	79	72
—Elec. Power (O., Pa., Ky.)**.....	297	246	215	182	169
—Petroleum (O., Pa., Ky.)**.....	122	112	124	113	119
—Shoes.....	117	116	83	96	80

* Per individual unit operated.
 ** April.
 a Not available.

AGRICULTURE

Weather conditions affecting fourth district agriculture thus far in the growing season have been markedly different this year than last. A year ago, the spring was unusually dry and farm field work progressed rapidly. In most localities this year it has been cool and wet. A considerable amount of corn and soybean planting had to be delayed because the ground was too wet to work. Early seeded corn fields, however, were reported to be comparatively weed free early in June, despite the fact that relatively little cultivating had been done. Excellent stands of tobacco were said to have been obtained in the Kentucky burley belt.

The rains in May were of marked benefit to small grains, hay crops, and pastures. Condition of forage crops and grazing lots at the time of the June 1 Crop Report was sharply above average in all sections of the district. Pastures were furnishing excellent feed for dairy cattle, with the result that milk production per cow kept by crop reporters in the States, parts of which comprise this district, while increasing somewhat less than seasonally from May 1 to June 1, was the best for the later date in recent years. Haymaking has been hindered in a number of localities by rainy weather.

Fourth District Business Statistics

(000 omitted)

	May 1942	% change from 1941	Jan.-May 1942	% change from 1941
Fourth District Unless Otherwise Specified.....	\$3,558,000	+14	17,196,000	+17
Bank Debits—24 cities.....	\$ 770,847	- 3		
Savings Deposits—end of month: 40 banks O. and W. Pa.....	\$ 770,847	- 3		
Life Insurance Sales: Ohio and Pa.....	\$ 62,830	-28	436,022	+ 4
Retail Sales: Dept. Stores—96 firms.....	\$ 32,171	- 6	166,024	+18
Wearing Apparel—16 firms.....	\$ 1,155	- 5	6,599	+21
Building Contracts—Total.....	\$ 62,220	- 2	227,761	+18
—Residential.....	\$ 13,333	-47	83,561	+ 3
Commercial Failures—Liabilities.....	\$ 512	- 3	2,928	-40
—Number.....	53	-18	241	-26
Production: Steel Ingot—U. S..... net tons	7,387	+ 5	35,548	+ 4
Bituminous Coal, O., W. Pa., E. Ky..... net tons	19,185	+11	91,339	+33
Cement—O., W. Pa., W. Va. bbls.	1,544	+11	5,609	+15
Elec. Power, O., Pa., Ky..... Thous. k.w.h.	2,496a	+21	9,819b	+14
Petroleum—O., Pa., Ky..... bbls.	2,255a	+ 9	8,496b	+ 6
Shoes..... pairs	c	+ 1	c	- 6
Bituminous Coal Shipments: L. E. Ports..... net tons	6,521	+34	12,957	+75
a April				
b January-April				
c confidential				

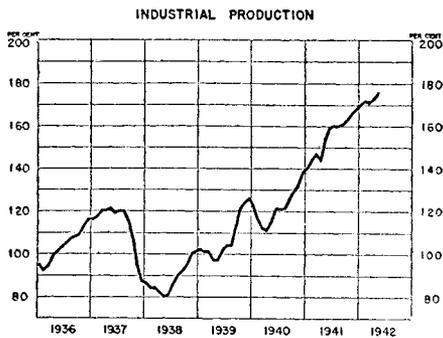
Debits to Individual Accounts

(Thousands of Dollars)

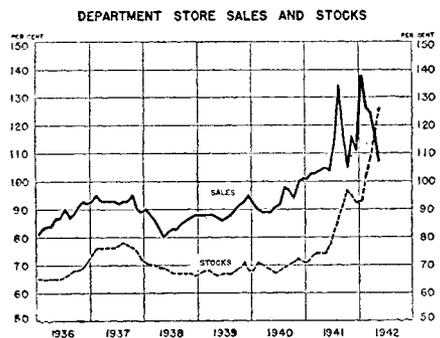
	May 1942	% change from 1941	Jan.-May 1942	Jan.-May 1941	% change from 1941
Akron.....	119,959	+25.6	557,435	439,594	+26.8
Butler.....	12,924	- 3.8	65,609	58,457	+12.2
Canton.....	60,493	+ 8.9	298,336	251,972	+18.4
Cincinnati.....	487,041	+12.9	2,449,588	2,016,327	+21.5
Cleveland.....	944,924	+ 8.4	4,490,281	3,771,535	+19.1
Columbus.....	271,286	+22.4	1,195,606	1,020,124	+17.2
Dayton.....	105,780	+ 8.4	530,322	450,065	+17.8
Erie.....	47,443	+15.8	227,965	179,382	+27.1
Franklin.....	4,411	+ 3.6	23,217	18,991	+22.3
Greensburg.....	10,064	+14.0	51,970	42,354	+22.7
Hamilton.....	18,016	+ 3.7	87,116	71,277	+22.2
Homestead.....	4,454	- 5.5	23,099	19,715	+17.2
Lexington.....	23,782	+13.0	142,807	129,306	+10.4
Lima.....	18,286	+ 3.3	100,221	85,112	+17.8
Lorain.....	7,085	- 1.7	34,106	30,893	+10.4
Middletown.....	19,041	+13.3	91,542	73,221	+25.0
Oil City.....	12,989	+18.1	66,462	51,119	+30.0
Pittsburgh.....	1,039,153	+20.9	5,040,660	4,459,888	+13.0
Sharon.....	13,690	+13.7	67,427	55,693	+21.1
Springfield.....	24,871	+ 8.0	120,065	105,814	+13.5
Steubenville.....	11,587	- 5.2	57,980	54,484	+ 6.4
Toledo.....	193,023	+16.9	944,655	765,306	+23.4
Warren.....	18,666	+15.0	90,903	75,780	+20.0
Wheeling.....	32,067	- 9.2	154,825	163,188	- 5.1
Youngstown.....	70,410	+ 4.1	349,055	306,775	+13.8
Zanesville.....	10,470	- 2.2	54,414	49,052	+10.9
Total.....	3,581,915	+14.1	17,315,666	14,745,424	+17.4

Summary of National Business Conditions

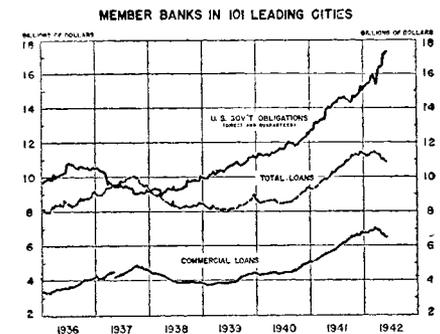
By the Board of Governors of the Federal Reserve System



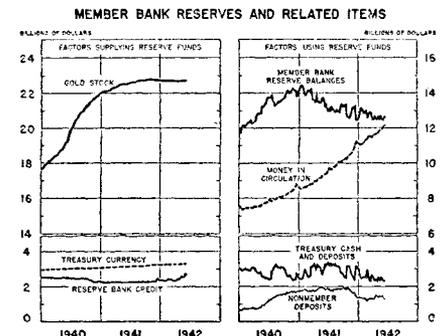
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for May 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for May 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for June 10, 1942.



Wednesday figures. Latest figures shown are for June 10, 1942.

Industrial activity continued to advance in May and the first half of June. Commodity prices showed little change after the middle of May when the general maximum price regulation went into effect. Retail trade declined further in May but increased somewhat in the first half of June.

Production

Volume of industrial production increased in May and the Board's seasonally adjusted index advanced to 176 per cent of the 1935-39 average, as compared with 173 in April and 171 during the first quarter of this year. Output of manufactured products continued to increase, reflecting chiefly further growth in production of war materials, while mineral production showed a seasonal rise.

The largest increases in May, as in other recent months were in the machinery and transportation equipment industries which are now making products chiefly for military purposes. The amount of copper smelted rose sharply and output of chemicals continued to advance. Activity in the automobile industry, which since January had been retarded during the conversion of plants for armament production, showed an increase in May.

Steel production was maintained at about 98 per cent of capacity in May and the first half of June. Lumber production increased seasonally and activity at furniture factories, which usually declines at this time of year, was sustained at a high rate. In industries manufacturing textiles and food products, output continued large in May. Gasoline production declined further, however, reflecting the effects of transportation difficulties. There was a further marked decrease in paperboard production which, according to trade reports, reflected a slackening in demand.

Coal production was sustained at a high rate in May and output of crude petroleum increased somewhat, following considerable declines in March and April. Copper production and iron ore shipments rose sharply to new record levels.

Value of construction contract awards increased sharply in May, following a decline in the previous month, and was close to the record high level reached last August, according to figures of the *F. W. Dodge Corporation*. Awards for publicly financed work increased in May and, as in other recent months, constituted around three quarters of the total. Awards for residential building continued to decline.

Distribution

Retail trade declined further in May. Department store sales were about 7 per cent smaller than in April and sales by mail-order houses showed a similar decrease. In the first half of June department sales increased somewhat.

Carloadings of revenue freight increased in May by about the usual seasonal amount. There was a further substantial decline in the number of cars loaded with merchandise in less than carload lots, reflecting the effect of Federal orders raising the minimum weights for such loadings. Increases were reported in shipments of most other classes of freight, particularly coal, ore, and miscellaneous freight.

Commodity Prices

Prices of most commodities both at wholesale and retail showed little change after the general maximum price regulation went into effect around the middle of May. Declines occurred in prices of cotton and some other agricultural commodities, and prices of some industrial commodities were reduced to conform with the general order that prices should not exceed the highest levels reached in March. Action was taken to exempt most military products from the general regulation and to allow for special treatment of women's coats and dresses and a few other nonmilitary items.

Bank Credit

During May and the first half of June, the Federal Reserve Banks purchased about 200 million dollars of United States Government Securities. Additions to member banks' reserves from this source, however, were offset by continued withdrawals of currency by the public. Excess reserves fluctuated around 2,700 million dollars during the six-week period.

Reporting member bank holdings of United States Government securities increased by nearly a billion dollars during the period. Two-thirds of the increase came in the week ending May 20 with delivery of new Treasury 2 per cent 1949-51 bonds, and the balance represented mainly increased bill holdings. Loans declined somewhat in the period. Adjusted demand deposits continued to increase, while United States Government deposits were reduced.

United States Government Security Prices

Prices of taxable United States Government bonds, which declined by about $\frac{1}{2}$ point at the time of the early May financing, subsequently regained that loss and during the first half of June remained steady.