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THE WORLD BANK

The International Bank for Reconstruction and Development, popularly known as the World Bank, will soon enter the American money market for funds. It is not an institution of deposit, but one which is authorized to make loans out of its own funds represented by unimpaired paid-up capital and surplus, and out of funds raised by borrowing in a member country.

The Bank has already made one loan, a French credit which was announced on May 9. It has a number of loan applications on file and more are anticipated.

These actual and prospective applications will receive some degree of favorable consideration, and some of them will be granted in part, if not in toto. The proceeds in virtually every case will be desired chiefly in the form of American funds for expenditure in this country.

The inaugural French credit was equivalent to more than one-third of the Bank's present dollar assets. Obviously not many more loans of that size can be made out of existing dollar balances. Henceforth, the Bank's resources must be supplemented by funds obtained from private investors and institutions in this country if further dollar credits are to be extended.

It is the purpose of this article to discuss the investment quality of the Bank's obligations, or debentures, which are about to be offered in the American investment market to replenish the institution's dollar assets.

Factors Affecting Investment Quality One important consideration is the fact that the prospective securities represent a commitment of a financial institution with more capital funds than any other lending agency in the world. Paid-in capital of the World Bank amounts to approximately \$1,600,000,000 (at current rates of exchange) of which nearly one-half is in the form of gold or dollars. The balance is in other currencies. The institution's largest

asset, however, consists of the right to require stockholders to take up the remaining 80 percent (\$6,400,000,000) of their subscriptions. Such subscription payments can be required, not necessarily in the stockholders' own currency, but in whatever currency is required to discharge the Bank's obligations. The right to stipulate payment in specific currencies may not prove to be effective at all points, but its inclusion in the organic agreement attests to the thoroughness with which contingencies were anticipated.

Furthermore, the commissions received by the Bank in connection with its lending and guaranteeing activities must be set aside as a special reserve. It is contemplated that in the course of time this reserve fund will represent a sort of first line of defense against capital impairment in the event of defaults.

A second and significant factor to be weighed is the quality of the assets acquired in the course of the Bank's lending operations—the quality of the loans it makes. According to the Articles of Agreement, accepted by all 44 stockholding nations, the Bank's decisions "shall be based exclusively on economic considerations." Although as a practical matter complete divorcement of the economic and political aspects is virtually impossible, the language of the mutual contract is unmistakably clear, and should be instrumental in ensuring careful analysis of the economic strength of each prospective borrower.

A third aspect to be considered, aside from the actual and potential resources of the Bank, is the fact that the Bank's activities are endowed with deep public interest. The institution's borrowing and underwriting operations in the American market are subject to the full disclosure provisions of the Securities Act of 1933. If similar conditions had been in effect with respect to the foreign loans floated in this country in the 1920's, some losses undoubtedly would have been smaller, or would not have occurred at all.

A fourth safeguard is represented by the provisions that the Bank's loans are to be made only for specific projects abroad and only after the proposal has been carefully scrutinized. The Bank shall have the right to inspect and observe the expenditure of the borrowed funds so as to prevent uneconomic or extravagant use of the money, and the borrower may draw upon his credit only as expenditures are actually incurred. The Bank has indicated that long-term currency stabilization loans would be construed as falling within the "specific projects" limitation. The economic soundness of such loans is frequently difficult to evaluate for they are somewhat comparable to "consumer" loans, and safeguards are not easily provided. But it is presumed that ways and means will be found to hold this type of credit to a moderate proportion of the total.

A fifth point of significance is the proviso that in appraising the merits of each application for credit, the Bank is required to establish, not only that the specific project will be an economic asset to the borrowing country, but also that the future balance of payments between the debtor and the rest of the world will permit amortization of the principal over the term of the loan.

Many of the provisions regarding lending operations are quite precise and specific, such as the stipulation that the Bank shall deal only through member governments or their fiscal agencies, and that in the case of a non-government borrower, a guarantee shall be obtained from the member government.

The Bank's lending and guaranteeing capacity likewise is explicitly limited to 100 percent of combined unimpaired subscribed capital, reserves, and surplus. Moreover, the Bank may borrow in any country but only with that country's permission.

Discretionary Powers of Management In contrast to the quite definite conditions outlined above, are others which are little more than a declaration of objectives and policies. The Bank's management, for example, will have considerable discretion in determining whether the borrower "would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower."

There is also the question as to the possibility, or feasibility, of limiting advances for the purpose of "specific projects of reconstruction and development."

The provision that a "competent committee" is required to make a "careful study of the merits of the proposal" and to submit a written report, likewise depends upon the spirit of observance rather than the cold letter of the agreement.

Furthermore, to make certain that the proceeds of any loan shall be used "only for the purposes for which the loan was granted" may require considerable managerial diplomacy, and ingenuity.

There is also the provision that due regard shall be paid to the prospects that the borrower, or guarantor, "will be in a position to meet its obligations under the

loan," and that "the schedule of repayment of principal is appropriate to the project."

Thus a great deal of flexibility accrues to the management of the Bank in the formulation of lending policies.

The French Credit The first tangible manifestation of the Bank's philosophy and modus operandi was provided by the manner in which it resolved the many questions that arose in connection with the so-called French loan recently negotiated.

The loan was made, not to the French Government, but to *Credit National*, a semi-public corporation created in 1919 as an instrumentality to assist in financing the reconstruction and development of the French economy after World War I. Its original capital was obtained from banks and industrial corporations. This \$250,000,000 loan to *Credit National*, however, is guaranteed by the Republic of France, the guarantee agreement having been signed by Henri Bonnet, Ambassador of France.

Seven months elapsed between the time the application was received and the date on which the loan was granted. One month later, upon receipt of formal evidence of ratification by the French Chamber of Deputies, the first advance was made in the form of a \$25,000,000 deposit credit at the Federal Reserve Bank of New York, in favor of the borrower.

Request Scaled Down The amount of the loan was only one-half as large as the original application which was for \$500,000,000. In the public announcement on May 9, it was stated that:

"Although the Bank is not now prepared to make any commitments with regard to a further loan, it will be willing to consider an additional application from France later this year. Any new application will be considered in the light of funds which the Bank will then have available for lending, and of the progress made in carrying out the French economic and recovery program."

That statement of policy is in accord with conventional and conservative banking.

The loan is for a period of thirty years. No principal payments are required during the first five years because the French national recovery program calls for a heavy volume of imports for several years. Beginning in 1952, amortization begins at a modest rate and then increases according to schedule which anticipates payment in full at maturity.

The loan carries interest at the rate of $3\frac{1}{4}$ percent and a further charge of 1 percent per annum on the outstanding portion of the loan. This is a 1 percent commission to be set aside as a special reserve provided for in Article IV, Section 6, for use in meeting liabilities of the Bank in case of default. In this instance the Bank apparently was satisfied that the *Credit National* was unable otherwise to obtain the loan "under conditions which . . . are reasonable for the borrower."

In accordance with Article III, Section 5, there are no restrictions with respect to convertibility of the proceeds into other currencies. In other words, France is free to patronize whatever markets that appear to be most advantageous. No trade restrictions are imposed.

Purpose of Loan The purpose of the \$250,000,000 loan, according to the Bank's official announcement, is "to assist France in the reconstruction of its war-torn economy and to finance the import of specific goods and equipment necessary to its economic rehabilitation." Part of the proceeds are to be used to purchase equipment for a modern continuous strip mill, and for the purchase of locomotives, freight cars, cargo ships, canal barges, and commercial airplanes. Prospective purchases also include industrial raw materials such as semi-finished steel products and non-ferrous metals. Some quantities of coal and oil for industrial and transportation purposes are within the scope of the loan program.

In the strictest sense, the use of the proceeds for the purchase of coal and oil for motive power is somewhat inconsistent with the requirement that loans be made for "specific projects." In this instance the specific project ostensibly is construed to be the recovery and restoration of the French economy. In the Bank's own words, "France is pivotal in western Europe. The economic rehabilitation of France will speed the recovery of surrounding countries and, through expansion in trade, will be beneficial to the rest of the world."

The Bank's right to inspect and observe the expenditure of the borrowed funds was acknowledged, not only in the loan agreement itself, but also in the form of a letter written by Robert Schuman, the French Finance Minister, wherein the French Government agrees to keep the Bank informed regarding developments in the French balance of payments and the external debt. The letter in addition contains a pledge that no other foreign loan will receive priority over the credit arranged with the Bank.

Prospects of Repayment The Bank believes that the borrower, or guarantor, will be in a position to meet its obligations under the loan. The basic premise is that by 1950, equilibrium will have been restored in the transactions between the French economy including colonial areas, and the rest of the world.

The national recovery program which was adopted by the French Government in January 1947 contemplates the investment of the equivalent of roughly \$19,000,000,000 during the four years 1947-50 as a means of increasing the per capita productiveness of the French economy. Of that amount, 84 percent is to come from internal resources and savings. The other 16 percent (about \$3,000,000,000) is the key to the entire program. It roughly represents the quantity of equipment and materials needed *from abroad* to achieve the recovery objective. Of that 16 percent it is planned to obtain 11½ percent from the sale of

foreign assets and foreign loans already incurred including presumably the \$250,000,000 World Bank loan just completed. The remaining 4½ percent (approximately \$800,000,000) it is hoped will come from other loans and credits still to be negotiated during the next few years.

The Bank is cognizant of the fact that a program of economic capital creation, as distinct from the production of consumer goods, requires "a high degree of austerity on the part of the French people" and that the goal can be reached only through vigorous effort by the whole nation. To some extent, therefore, this advance to the *Credit National* might be described as a character loan. Undoubtedly many of the loans which will be made during the coming months and years will have some of the same attributes.

Margin of Subscribed Capital The Bank's ability, however, to service its own debentures, or guarantees, is not solely dependent upon the quality of its advances such as the French credit. The United States Government, by virtue of its stock subscription, has virtually underwritten the first \$3,175,000,000 of the Bank's commitments.

Certain additional stockholders, such as Canada, and other relatively strong members, can be relied upon to fulfill their commitments and obligations to the Bank and to its prospective creditors.

Thus it is conceivable that the Bank could sustain a series of complete defaults totaling upwards of \$4,000,000,000 without impairing its ability to fulfill its own outstanding obligations. Defaults of that magnitude would be greatly in excess of those which occurred in international trade debts during the worldwide economic depression of the 1930's. Such an extremely adverse development cannot be ruled out entirely but it will hardly come about suddenly and unexpectedly nor is it likely during the next several years.

Two Basic Conditions The investment quality of the Bank's forthcoming debentures, in the final analysis, rests upon two basic conditions, one of which is its management whose attitude and philosophy are reflected in the terms of the French credit. The present relatively conservative administration has established reassuring precedents in making its initial loan.

The second basic consideration is that even if world recovery and rehabilitation achieves only normal progress, the inevitable defaults (temporary or otherwise) are very unlikely to be large enough to impair the Bank's ability to service its commitments out of the proceeds of its gilt-edge stock subscriptions.

In the light of known facts, the obligations of the World Bank are of excellent quality. Once the ice is broken by an initial offering and when the investment community has become accustomed to the activities of this new institution, it is not inconceivable that the Bank's obligations will be accorded a high place in institutional portfolios.

THE COPPER SITUATION

An adequate supply of copper is of direct as well as indirect importance to virtually all industries in the Fourth District. An appreciation of its almost unique and indispensable properties has been enhanced by its scarcity during the war and postwar period.

As a conductor of electricity, copper tops all metals in its general suitability for the manufacture of wire used by the communications industry and in the transmission of electricity for light and power. Every sort of electrical manufacture from electric locomotives, generators, motors for industrial machines and household appliances, down to light bulbs depends upon copper. The red metal has important uses in the building industry aside from electric installations. Its non-corrosiveness and the comparative ease with which it may be worked on the job make it extremely valuable for high grade plumbing and tubing, and for exterior metal work on buildings. Alloys such as brass and bronze, which contain copper, are valuable for a variety of special purposes. The automobile and automotive parts industries are also heavy consumers of copper in electric and cooling systems and as an alloy in numerous bearings.

Prior to World War II, the United States had an abundant supply of copper for all domestic requirements and a surplus available for export. Since early in the war, however, it has been necessary to import large quantities annually to meet minimum industrial requirements.

Present stocks of refined copper are only one-third of the prewar average and are less than one month's supply at current rates of consumption. The relatively low level of stocks is shown in an accompanying chart together with the monthly rate of refinery deliveries. The current scarcity of copper has not affected all domestic consuming industries to the same degree because of variations in the extent of integration from mines to fabricators. Most American copper producing enterprises also have extensive foreign holdings and are thereby in a position to supply their own fabricating plants first. The over-all national supply situation is somewhat less critical than that which is felt by some non-integrated fabricators.

Probable Duration of Shortage While there is no question as to the existence of a copper shortage, there is great difference of opinion as to whether this nation has become a permanent net importer of copper, or whether the situation is temporary.

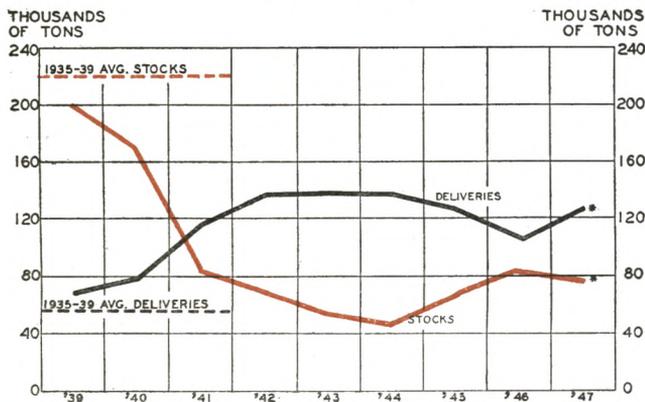
Those who consider the shortage as chronic recommend the unequivocal removal of all barriers to imports of copper. Conservationists advocate a more intensive use of substitute materials, favor the maintenance of a stockpile for future emergencies, and the use of foreign metals to conserve the domestic supply.

Testimony has been adduced to the effect that, according to geological estimates, the United States has only a 25-year reserve at the current maximum production rate of 90,000 tons per month. Furthermore, the rate of present restricted consumption is upwards of 120,000 tons per month, or a third higher than the maximum domestic production rate. Including unsatisfied demand, a 500,000-600,000 ton shortage is estimated for 1947. Use of copper is expected to increase in future years, due to increased population and expansion of industrial activity. Continued growth in electric power use will also require a large amount of copper. Production of copper, on the other hand, is more apt to decrease than to rise as the national supply is depleted.

Those who hold that the shortage is a passing phase of complete reconversion, point out that the present peacetime use is abnormal and unprecedented, and that it is occasioned by the backlog of demand for copper-bearing products which is due solely to the war. When industry has caught up with this backlog, demand for copper may recede to something like 70,000 tons per month, an amount which could then be filled by domestic production.

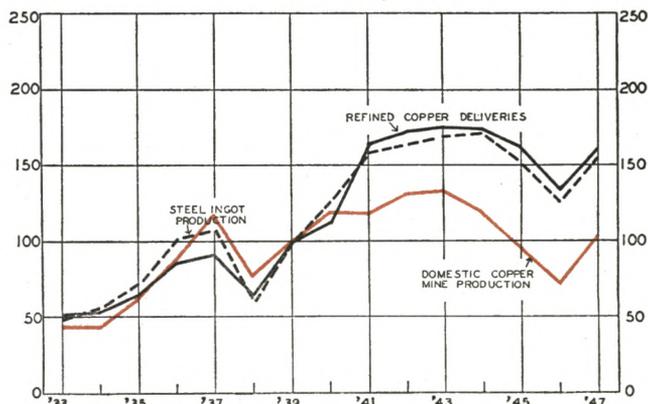
It is the purpose of this article to provide some basic information around which these conflicting opinions revolve.

Stocks and Deliveries of Refined Copper
(Monthly Averages)



Source: Copper Institute
1947 based on first four months.

Steel Ingot Production and Refined Copper Deliveries
1939=100



Comparison With Steel Production An adjoining chart compares the supply of steel ingots with refined copper deliveries from 1933 to date. The base period used (100) is 1939, when 56 tons of steel ingots were produced to one ton of copper deliveries. In the prewar era of ample supply, the index for steel ingots was slightly greater than refined copper deliveries. The relationship between the two metals, however, was close. In the war and postwar periods the close relationship persisted, but the supply of copper was proportionately greater than that of steel ingots. The basic difference between the two metals is that steel mill finishing facilities are being taxed to the utmost, whereas there is unused capacity of copper producers. In one case there is an abundance of raw ore, in the other a dearth. A third line on the chart shows the proportionate supply of domestically produced copper which indicates that native copper lost ground during the war which it has not been able to recover.

Wartime Developments The domestic copper industry broke all production records during the war. Virtually all output was diverted to military purposes with civilian demands shelved for the duration. Reduction of stocks and concentrated mining of the most readily accessible ores made possible the initial response of the copper industry to the stepped-up war-demand for copper. Difficulties were encountered, however, in attempting to maintain the higher rate in the latter years of the war and in the postwar period.

One obstacle to a continuation of the peak wartime production rate developed because the prolonged wartime demand for copper had been only partly anticipated. In consequence, mine development and construction work was at first left almost wholly undone because of the pressure to achieve maximum production in the shortest possible interval. As time went on, production at more and more mines fell off as it became necessary to devote more effort to development work.

Furthermore, the labor supply was insufficient during the war and is still a problem. According to the Bureau of Labor Statistics, the average number of wage earners in the copper mining industry from 1941 through 1943 was slightly in excess of 30,000. Throughout 1944 and 1945 there was a steady month-by-month reduction in the number of copper miners, until at the end of 1945 there were less than 20,000. Labor disputes heightened the problem, and the number of miners dropped to a low of 14,700 in June 1946, roughly one-half the number at the beginning of the war. The loss of production during the widespread strike in the first six months of 1946 was substantial. Only one-fourth of the total 1946 tonnage was produced during the first half of the year. Employment following the strike rose slowly and reached 23,500 wage earners by the end of 1946.

Inferior Ores In the past decade, open-cut mining, which is similar to strip mining in the coal fields, has become more and more common so that over half of the copper is now being

taken from open cuts. Such mines are highly mechanized. Their ore output per man-hour has been increasing and is greater than that from underground workings. However, the average grade of ore extracted in recent years has become increasingly inferior in actual copper content, partly because of the depletion of ore deposits. Other major factors have been greater use of machinery plus the development of improved metallurgical techniques of copper smelting, developments which have made it practical to mine some of the lower grades of ore which were formerly considered unusable.

The proportion of recoverable copper in copper ore declined from 2.11 percent in 1933 to 0.99 percent in 1944, or a loss of more than 50 percent. In other words, 2,000 pounds of ore yielded only 20 pounds of copper in 1944 as against more than 40 pounds a decade ago.

The neutralizing effect of the steady decline in copper content of ores on the production gains from mechanization is well illustrated in the following table which measures output in two ways.

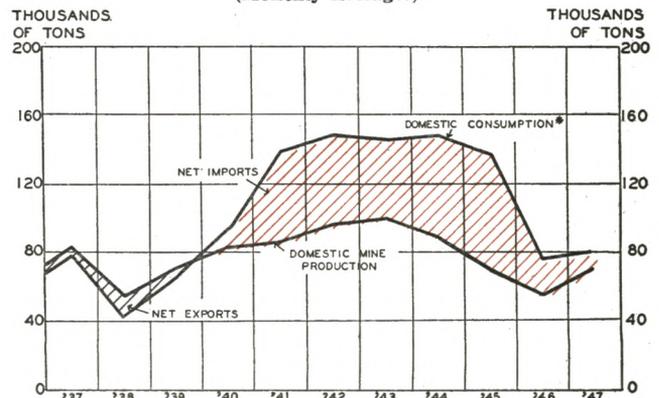
Output Per Man-hour
(1939 = 100)

	Copper Ore	Recoverable Copper
1935.....	65.3	97.5
1936.....	84.1	110.2
1937.....	90.2	101.0
1938.....	83.1	80.2
1939.....	100.0	100.0
1940.....	108.2	104.2
1941.....	108.1	100.3
1942.....	114.9	102.5
1943.....	123.0	103.7
1944.....	140.7	113.6
1945.....	149.2	115.1

Source: Bureau of Labor Statistics.

The output of copper ore per man-hour has made remarkable improvement. However, the increase in the output of recoverable copper, which is really the net improvement, has been much less. Consequently the ability to enlarge the copper output with the available labor supply has been limited.

Copper Consumption and Domestic Mine Production
(Monthly Averages)



Source: Copper Institute and Bureau of the Census.
1947, 2 months only.

*Includes only copper from domestic primary mine production and net imports. Domestic scrap, or secondary copper, has been excluded.

Import Program The United States produces from 35 to 40 percent of the world's copper, an amount which in prewar years was more than sufficient for the country's needs. The excess of copper exports over copper imports in prewar years, as indicated by the accompanying chart, also suggests that domestic production was quite ample. Prewar imports were largely in the form of ores which were destined for re-export after smelting and refining in the United States.

Since 1940, however, it has been necessary to supplement the domestic supply with large amounts of foreign-produced copper. During this time the form of imports shifted from ores to the refined metal itself. Refineries were constructed at or near foreign copper mines to facilitate copper shipments in refined form, a procedure which reduced bulk and also enabled United States refining equipment to concentrate on domestic ores. Imports at present consist mainly of refined copper for domestic consumption.

The United States was in a geographically and politically favorable position to secure foreign copper during the war. Most of the copper exporting areas of the world are located in the Western Hemisphere and in Africa. In the interest of mutual military benefits the flow of copper was facilitated from these places to the United States. Private purchase of foreign copper was forbidden, and the Government authorized the Metals Reserve Company, a subsidiary of RFC, to act as sole United States importer. Throughout the war, Metals Reserve obtained foreign copper in large quantities, absorbing the four-cents-per-pound import duty and reselling to war industries at the ceiling price.

Imports of copper dropped rapidly following the war. Shipping lanes were no longer closed, postwar reconstruction programs were getting under way in industrial countries throughout the world, and this nation was no longer the "arsenal of democracy" but an industrial rival to those countries. Foreign labor troubles and the American maritime strikes interfered with the free flow of trade.

Disparity with World Price A further retarding factor on postwar imports was the copper price situation. In the world market, would-be purchasers of copper competed with one another on a price basis. In April 1946, the British Ministry of Supply announced an increase in the London price of copper from the equivalent of 10.87 cents per pound to 12.94 cents. In the United States at that time, the ceiling price was still 11.78 cents, hence all foreign purchases by Metals Reserve involved a loss for that agency.

In addition, the legal existence of the Office of Price Administration was in jeopardy during the summer of 1946. Since the subsidy powers of Metals Reserve were derived from the Office of Price Administration, the continued authority to sell any metal at a loss was dubious. Such incertitude was not conducive to the pursuit of a firm and diligent foreign purchasing policy on a rising metal market abroad.

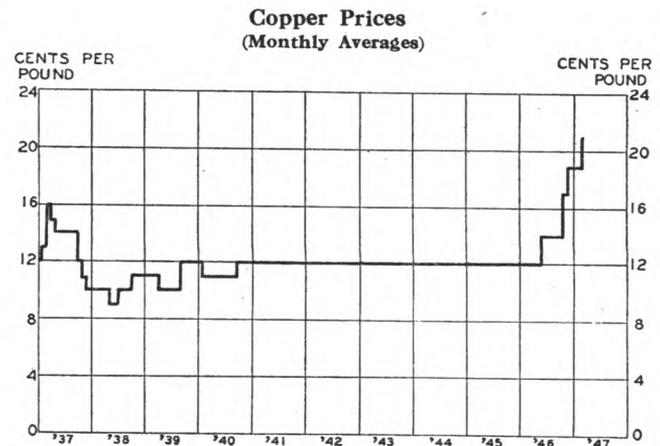
The Government control of copper imports was eliminated in November 1946, and the war-suspended four-cents-per-pound tariff automatically became effective again. Private imports in the first quarter of 1947 averaged only 25,000 tons a month as compared to Metals Reserve imports of 64,000 tons per month in 1945. The four-cent premium discouraged imports, but there were other retarding factors as well. Domestic purchasers had to seek sources of supply and compete against Empire preference and long-term contracts already arranged.

The impact upon fabricators of the postwar drop in imports and in domestic production was cushioned by the allocation of 400,000 tons of copper from the stockpile accumulated by the United States during the war. Stockpile allocations accounted for about one-third of 1946 consumption. By April 1, 1947, the stockpile was less than 40,000 tons as compared to 500,000 tons in January 1946. Obviously, very little further relief could be expected from this source and a crisis in copper supply was commonly expected.

The price situation, the uncertainty of which retarded copper production and copper imports during most of 1946, changed drastically with the removal of OPA price controls in November 1946. The price of copper moved up rapidly from the war ceiling of 11.78 cents per pound to 21.50 cents by March 1947. Late in April, the Congress took steps to suspend the four-cents-per-pound tariff for a period of two years.

Effect of High Prices The high prices had the virtue of bringing out a flood of copper scrap which began to pile up at refineries, in some instances faster than it could be handled. Purchases of scrap soon slowed down as buyers grew cautious.

With the suspension of the tariff, foreign producers quoted a price of 24.00 cents, or 2.50 cents above the domestic level. However, domestic producers maintained the 21.50 level and in some cases termed existing copper prices too high in comparison with the cost of substitute metals.



Source: Engineering and Mining Journal.

With virtually only foreign buyers supporting the world price at a premium, the price structure began to sag and by the end of the first week in June, a one-price system at 21.50 cents was re-established. It has since been reported that substantial tonnages for import in the second half of the year have already been contracted for at this level.

In a free market for a commodity, in which the supply of and demand for the commodity are equalized through the price mechanism, shortages seem to disappear. Buyers are able to purchase their full requirements of a commodity—if they are willing to pay the price. Those unable or unwilling to pay the price have an alternative choice in that they may turn to substitute materials.

Substitution of Competitive Materials

Copper producers are particularly concerned over the possibility that copper consumers may turn to substitute materials, particularly such materials which are, or may become, substantially cheaper. If necessity compels their use, methods of producing or using them may develop through research and experimentation to a point where the consumer will find them equally satisfactory or possibly superior. In some cases these materials have certain natural advantages over copper which may throw the balance in their favor.

Progress has already been made along such lines. For example, there has been increased use of plastics for high quality screening. Plastic screening is more flexible, and it is claimed that it will not stain sur-

rounding materials as does uncoated copper. Also, stainless steel powder has been utilized for welding instead of a similar copper product. Welding with the stainless steel powder is claimed to be twice as fast.

Probably the most serious competitive material is aluminum, which can be substituted to some extent for electrical purposes. Electrical uses ordinarily consume about 25 percent of the domestic copper output. Aluminum weighs considerably less than copper and light weight can be very important in structural work such as in aircraft, or in power lines where a saving on poles is effected since less support is required and longer spans of wire can be used.

To some extent natural disadvantages of these substitutes for copper have been overcome. Since the electrical conductivity of aluminum is a little lower than that of copper, a larger diameter wire is required to perform the same service that a smaller copper wire will perform. This has discouraged the use of aluminum in the past for interior wiring, or in underground cables where space in conduits is very limited, or for any other electrical work of a fine nature. Within the past few months, however, the rubber industry has developed a process of covering aluminum wire with a very thin insulating material that offsets in part, the size objection. Where aluminum can successfully replace copper, it has the attraction at present of being cheaper and a history of declining prices and increasing supply. The copper industry is striving to maintain its position and to prevent a broad swing toward these rival materials.

RECENT INDUSTRIAL DEVELOPMENTS

Rubber The expected weakening in automobile tire prices began late in May when leading mail-order houses cut prices by as much as 12 percent. This reduction was soon matched by other distributors and widened the customary 10 percent price spread between private brands and manufacturers' national brands to 20 percent. By mid-June every important tire manufacturer had reduced list prices. Tire reductions averaged about 10 percent and so restored the normal differential, while tube prices were cut as much as 25 percent. Exclusive of taxes, the popular 6:00 x 16 tire was advertised on June 15 at \$14.40 for national brands and \$12.95 for private brands. In addition, dealers were offering liberal trade-in allowances or other concessions.

The Rubber Manufacturers Association reports passenger car casing production of 6,700,000 units in April, a decrease of about four percent from March. Shipments, however, dropped eight percent and inventories rose 25 percent to about 4,400,000 casings. While this is still substantially below prewar inventories, dealers are reported to have ample stocks.

Truck and bus casing manufacture rose one percent in April to 1,600,000 units and shipments declined eight percent from the previous month. Inventories advanced 21 percent.

Employment in Ohio tire and tube manufacturing

establishments was estimated by the Bureau of Labor Statistics at 76,700 in April, a decline of five percent from March. This is approximately the same, however, as in April 1946. Hours worked per week were unchanged.

Contrary to widespread predictions of a runaway rubber market when rubber importing was returned to private trade on April 1, the market for both spot rubber and futures has been very weak.

The spot market price of plantation ribbed smoked rubber sheets at New York dropped from 25.8 cents per pound to 14.0 cents on June 25. This represented a decline of 46 percent. The Reconstruction Finance Corporation was reported to have held on May 1 an inventory of about 216,000 long tons with an additional 52,000 tons in transit. The bulk of this rubber was acquired at 23 cents a pound and a small proportion at 25.75 cents. On the basis of the 14.0 cents per pound market price of June 25 and assuming a cost of 23 cents per pound for all rubber in the R. F. C. stock pile, the Government has an inventory loss in excess of \$53,000,000. Natural rubber, however, can be safely stored for a period up to two years so there is no immediate prospect of this loss being taken at this time. In the meantime the Government, through its large stockpile and its 25.75 cents offering price, provides an effective ceiling for the rubber market.

Trading in rubber futures began on May 1, and on that date the September contract closed at 21.10 cents per pound or 4.9 cents below the cash market. By June 25, the September future had dropped to 13.5 cents for a 36 percent reduction in eight weeks.

The Government selling price on GR-S, general purpose synthetic rubber, remains at 18 cents per pound and there is no indication of any contemplated change to meet the decline in price of the natural product. Government limitations on the amount of natural rubber which may be used in the various end-products assures a guaranteed market for the synthetic product, no matter what the price, and at the same time serves to limit the demand for natural rubber and contributes to price weakness for that article.

Iron and Steel Production of steel ingots and steel for casting continued at an unprecedented peace-time rate in May. The American Iron and Steel Institute reported national production at the rate of 94.6 percent of capacity, or 7.3 million tons for the month. Ingot production for the first five months totaled 35.3 million tons.

Shipments of finished steel products in April amounted to about 5,500,000 tons, while shipments of steel castings totaled 144,000 tons. Gray iron casting shipments established a new post-war record in April with a total of 1,097,000 tons. This was the fourth month in succession over the million ton mark.

Despite this tremendous output of ferrous products, consumers still want more tonnage than they can get in the form of strip, sheet, plates, pipe and small sized carbon bars. It is reported, however, that consumers of finished steel products are ordering more conservatively and that producers in some lines of consumer durables are not pressing as hard for deliveries as formerly.

District production rates in the fourth week of June, according to *Steel*, were 100.5 percent of capacity in Pittsburgh, 91 percent in Cleveland, 93.5 percent in Wheeling, 93 percent in Youngstown, and 85 percent in Cincinnati.

Additions to rolling mill capacity in the District that have been under construction for many months are beginning to be completed. A new cold rolling mill commenced production in May at Weirton, West Virginia. The mill produces tin plate strip at the rate of a mile a minute, or one-third faster than any mill built to-date and will enable the company to increase production of tin plate products by 50 percent. A new 48-inch hot rolling mill began production in June at Youngstown. At full capacity it will roll about 30,000 tons of skelp a month for pipe mills and 20,000 tons of tin plate bands.

The high rate of steelmaking operations had a buoyant effect upon the scrap market early in June. Heavy melting steel scrap advanced to \$32.50, Pittsburgh, and to \$35.00, Youngstown. The demand for scrap has also strengthened due to the uncertain status of coal production after the annual coal holiday ends July 7. Stoppage of coal production will mean an immediate reduction in pig iron output

and increased use of scrap in place of the hot metal in the open hearths.

Consumption of iron ore in May totaled 6.6 million tons, according to the Lake Superior Iron Ore Association, to bring the five months total to 32.5 million tons. Last year for the same period, strikes held consumption to only 18.3 million tons. Total stocks of iron ore at furnaces and Lake Erie docks were 17.6 million tons on June 1 as compared with 23.9 million tons a year ago.

Brick and Tile Manufacturers A spot check at the end of May, covering 33 brick and tile manufacturers operating 40 plants in the Fourth District, revealed that some significant changes in operations had occurred over the past year.

The principal products made by these manufacturers are face brick made from shale or fireclay, common brick, glazed or unglazed facing tile, and structural tile.

The backlog of unfilled orders had declined for every one of these products when compared with May 1946. The reduction ranged from 19 percent for facing tile to 67 percent for face brick made from shale, and 83 percent for structural tile.

Correspondingly, manufacturers' inventories of their finished products had increased from a year ago. The end-of-May stocks of unglazed shale face brick were up 292 percent, common brick 153 percent, structural tile 78 percent and facing tile 71 percent.

A study of the reports of individual companies indicated that strenuous efforts are being made to bring production into balance with inventories and unfilled orders. As examples of action taken, a drop of 83 percent in unfilled orders for structural tile was accompanied by a production cutback of 76 percent; on the other hand, production of facing tile was stepped up 65 percent when unfilled orders fell only 19 percent.

Residential Construction It is probable that the over-all decrease in the backlog of orders for clay products would have been less pronounced had the residential building program not slumped this spring. Although contracts awarded during the first five months of 1947 provided for construction of 17,887 dwelling units, or 10 percent more than the 16,278 in the same period last year a downward trend in the number of dwelling units provided in new residential buildings is evident from data compiled by the F. W. Dodge Corporation for the combined Cleveland, Pittsburgh, and Cincinnati areas. April contracts dropped 28 percent from a year ago and May declined 39 percent. In the latter month, commitments were made for only 3,040 units as compared with 5,007 a year ago.

An indication that this trend may be reversed during the remainder of the summer is revealed in the number of permits for new dwelling units issued in metropolitan Cleveland in June, which show an increase over the like period last year of 65 percent.

Coal In the third week of June, the outlook for continued coal production in July was extremely uncertain. In any event, 10 days' production will be lost when the miners take their annual vacation beginning June 28. On June 30, the Government returned the bituminous mines to private ownership. A new work contract had not been negotiated and according to precedent, the miners will not return to work before a new work contract is signed.

For the first time since 1943, the miners' union negotiated separately with northern and southern mine owners. When negotiations were terminated early in June, the status of the wage question was reported as follows: The union requested a wage of \$65.25 for a five day 40 hour week which would include an allowance of five hours travel time. Pay demanded for the sixth day was \$20.72. The northern operators countered these demands with wage offers of \$56.75 and \$16.02 respectively.

The southern operators offered a wage of \$63.50 for a five day eight hour week without any allowance for travel time. Workers on the sixth day would be paid \$19.05. The present wage scale is \$59.25 for a five day 45 hour week which includes five hours of travel time. Workers on the sixth day receive \$16.00.

To make comparison possible, the following table reduces these proposals to an hourly rate for time actually worked, thus eliminating the travel-time allowance.

	Calculated Hourly Rate for Work Performed	
	First 5 days of week	Work on Sixth Day
Contract Expiring June 30.....	\$1.48	\$2.00
Union Proposal.....	1.86	2.96
Northern Operators' Proposal.....	1.62	2.29
Southern Operators' Proposal.....	1.59	2.38

There are certain provisions in the new Labor-Management Relations Act of 1947 which will have some effect on future coal-labor contracts. The more important of these are:

1. The closed shop will be illegal after one year. Contracts written before August 22, however, may include it. The bituminous mines in recent years have been under a tightly controlled closed shop agreement. A union shop agreement is permitted, however, if a majority of the workers vote for it.
2. Labor disputes which imperil national health or safety may be investigated by a board of inquiry appointed by the President. Upon receiving its report, the President can seek an injunction against the stoppage in Federal Court. After 60 days, a full report is made by the board to the President. In the next 15 days a secret ballot is taken of employees on the employer's latest wage report. The results of the election are given to the attorney general within 5 days, and the injunction dismissed

whether the dispute is settled or not. This provision is effective immediately.

3. Employers are not obliged to bargain collectively with a union of supervisory employees.
4. Unions can be sued for breach of contract in Federal court.
5. Health and welfare funds to which employers contribute must be jointly administered by employer and union. Benefits can be paid only to employees and dependents.
6. Union dues can be deducted from pay-checks only upon written authorization by the employee.
7. Each union must file a financial statement by August 22, and unless it can certify that no Communists are officers its collective bargaining status will be suspended.

The coal miners have not taken kindly to the new legislation. Wild-cat strikes, principally against captive mines in Pennsylvania, lasted for several days in the second week of June and forced several steel companies to bank furnaces. Renewed walk-outs began on June 24 when about 43,000 Pennsylvania and Ohio miners refused to work.

CURRENT EVENTS

Mr. John D. Bainer, President, The Merchants National Bank and Trust Company of Meadville, Meadville, Pennsylvania, was elected a Class A director of this bank at a special election on June 13, to fill the unexpired portion of the term ending December 31, 1949.

Mr. Bainer succeeds Mr. H. B. McDowell, deceased, who had served as a Class A director since November 16, 1937.

NEW MEMBER BANK

The Fayette National Bank and Trust Company of Uniontown, Uniontown, Pennsylvania, opened for business on June 4, 1947, as a member of the Federal Reserve System.

This newly-organized bank is located in the county seat of Fayette County in southwestern Pennsylvania.

As of the opening date, the capital structure of the new bank consisted of \$200,000 common stock, a paid-in surplus of \$100,000 and undivided profits of \$50,000.

Officers of the new member bank are:

Mr. S. Ray Shelby, *President*
 Mr. Alson C. Eggers, *Vice President*
 Mr. Earl Huston, *Vice President*
 Mr. Howard B. Johnston, *Cashier*
 Mr. Linn V. Phillips, *Trust Officer*

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—May, 1947

As compared with a year ago
(Compiled June 27, and released for publication June 28)

Major Household Appliances	+103%
Sportgoods (including Cameras)	+35
Domestic Floor Coverings	+34
Infants' Wear	+24
Men's Clothing	+22
Men's and Boys' Shoes	+21
Corsets and Brassieres	+19
Notions	+18
Gloves	+18
Boys' Clothing and Furnishings	+17
Luggage	+15
Shoes (Women's and Children's)	+14
Silverware and Jewelry	+14
Housewares	+13
Cotton Wash Goods	+13
Neckwear and Scarfs	+13
MAIN STORE TOTAL	+12
Juniors' and Girls' Wear	+12
Millinery	+12
Women's Underwear	+11
Silks and Velvets (Woolen Dress Goods)	+10
Restaurants	+10
Draperies and Curtains	+10
Beauty Salon	+9
Men's Furnishings (Hats and Caps)	+9
Dresses (Women's and Misses')	+8
Blouses, Skirts and Knit Goods	+7
Coats and Suits (Women's and Misses')	+5
China and Glassware	+4
Lamps and Shades	+3
Furniture and Beds	+3
Aprons and Housedresses	+2
Books and Stationery	+2
Art Needlework and Art Goods	+2
Domestics and Blankets	+3
Laces and Trimmings	+3
Leather Goods (Small)	+4
Photographic Studio	+5
Hosiery (Women's and Children's)	+6
Toilet Articles and Drug Sundries	+8
Handkerchiefs	+8
Toys and Games	+10
Furs	+21

After allowing for the customary seasonal influences, department store sales in the Fourth District during May were the highest for any month on record. The adjusted index stood at 297 as against the former peak of 286 established last August.

A number of departments, in which sales had been lagging somewhat during the earlier months of the year, shared in this improvement. The 14 percent margin in **women's and children's shoes** was the widest in several months and dollar volume equaled the best previous month. The 13 percent gain in **neckwear** was larger than in recent months. **Millinery** sales were 12 percent above a year ago in contrast to several year-to-year decreases earlier this season.

Dollar volume in the **women's and misses' dresses** was the largest on record for any month, and the 8 percent margin over 1946 was the most favorable since last December. The 7 percent increase in the **blouses, etc.**, department and the 5 percent gain in **women's and misses' coats and suits** were the first year-to-year increases in those departments since January. The nominal 2 percent increase in **aprons, etc.**, sales was the first since December.

In the house furnishings section, where the year-to-year comparisons have been very favorable for many months, sales of **major household appliances** were the second largest on record, exceeded only by last December's figure. Activity in the **domestic floor coverings** department was at an all-time high for any month, and 34 percent above a year ago.

The 10 percent gain over a year ago in the **draperies** department represents the largest sales on record for any month.

Other departments in which all previous sales records were broken included **corsets and brassieres, cotton wash goods, and beauty salon**.

The moderate 3 percent increases in **lamps and shades** and in **furniture, beds, etc.**, were the first in some months.

Sales of **women's and children's hosiery**, off 6 percent have been below a year ago since the first of the year. Trade in **toilet articles**, down 8 percent, likewise has been lagging for several months.

The percentage changes contained herein do not necessarily reflect similar changes in unit volume, for no adjustments have been made for fluctuations in the retail price level during the periods covered.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted			Without		
	May 1947	April 1947	May 1946	May 1947	April 1947	May 1946
SALES:						
Akron (6)	299	287	278r	290	290	270r
Canton (5)	361	340	309	347	320	296
Cincinnati (8)	303	302	256r	309	284	261r
Cleveland (10)	274	226	241	258	246	227
Columbus (5)	324	327	293	314	300	285
Erie (3)	312	277	253	294	274	238
Pittsburgh (8)	259	253	219	269	248	228
Springfield (3)	282	288	245	294	277	254
Toledo (6)	264	245	229	264	247	229
Wheeling (6)	231	239	211	248	225	225
Youngstown (3)	322	307	272	315	301	266
District (95)	298	272	256	283	266	243
STOCKS:						
District	238	246	192	241	253	194

Inventories by Departments—May 31, 1947

As compared with a year ago
(Compiled June 30, and released for publication July 2)

Major Household Appliances	+317%
Men's Clothing	+161
Men's and Boys' Shoes	+114
Domestic Floor Coverings	+108
Shoes (Women's and Children's)	+85
Sport Goods (including Cameras)	+77
Hosiery (Women's and Children's)	+70
Cotton Wash Goods	+58
Furniture, Beds, Mattresses and Springs	+55
Men's Furnishings (including Hats and Caps)	+55
Silks and Velvets	+55
Draperies and Curtains	+43
China and Glassware	+38
Domestics, Blankets and Towels	+35
Corsets and Brassieres	+30
Aprons, Housedresses and Uniforms	+26
MAIN STORE TOTAL	+24
Women's Underwear	+22
Luggage	+14
Housewares	+13
Silverware and Jewelry	+12
Boy's Clothing and Furnishings	+9
Dresses (Women's and Misses')	+5
Lamps and Shades	-0
Books and Stationery	-3
Notions	-5
Infants' Wear	-6
Laces and Trimmings	-8
Gloves	-9
Toilet Articles and Drug Sundries	-10
Art Needlework and Art Goods	-13
Toys and Games	-13
Coats and Suits (Women's and Misses')	-16
Neckwear and Scarfs	-17
Handkerchiefs	-21
Millinery	-23
Leather Goods (Small)	-24
Blouses, Skirts, Knitgoods	-27
Juniors' and Girls' Wear	-27
Furs	-31

By the end of May department store inventories had declined for the second month in succession, but were still 24% higher than a year ago.

In a number of departments, however, inventory reductions have been quite marked. In the **ready-to-wear accessories** section, inventories were the lowest for the season since 1944 with respect to **neckwear and scarfs, handkerchiefs, millinery, and small leather goods**. Stocks in these four departments were 17-24% below a year ago.

A similar situation existed in the **women's and misses' ready-to-wear** section where three-year lows for the month were set in **women's and misses' coats and suits, blouses, skirts, etc., juniors' and girls' wear, and furs**. Year-to-year declines in those departments ranged from 16% to as much as 31%.

Supplies of **women's and children's hosiery**, while up 70% for the year, were still substantially below 1943 and earlier years. Stocks of **infants' wear** showed a year-to-year decline for the first time since 1943; and **toys, and furs**, the first since 1944.

In contrast to these various inventory shrinkages supplies in a number of other departments were at, or near, an all-time high level.

Stocks of **major household appliances** were 317% above the May 1946 figure but failed to establish a new peak after five successive months of expansion. Other departments where end-of-May inventories were the highest on record for this time of year were: **domestic floor coverings, up 108%; furniture, beds, etc., up 55%; draperies, curtains, etc., up 43%; domestics, blankets, etc., up 35%.**

China and glassware supplies were up 38% and the highest ever recorded for any month.

All items of **men's and boys' wear** were in record supply for this time of year with **men's clothing** showing an increase of 161% for the year.

Women's and children's shoes were up 85% for the year and the highest for the season.

Inventories of **sport goods** were the highest ever reported for any month, 77% over a year ago.

The percentage changes noted herein do not necessarily reflect similar changes in unit volume. No adjustment has been made for fluctuations in selling prices during the periods covered.

May Department Store Sales by Cities*

(Compiled June 24, and released for publication June 25)

CITY	% Change From		Sales During May (May 1941=100)				
	Apr. '47	May '46	1941	1943	1945	1946	1947
Wheeling	+10	+10	100	101	133	176	194
Cincinnati	+9	+18	100	107	128	180	213
Pittsburgh	+9	+18	100	103	119	166	196
Canton	+8	+17	100	127	131	184	216
Erie	+7	+23	100	126	142	174	215
Toledo	+7	+15	100	118	137	174	200
Fourth District	+6	+16	100	112	127	174	202
Springfield	+6	+15	100	133	143	167	193
Youngstown	+5	+19	100	108	136	177	210
Cleveland	+5	+14	100	119	130	178	203
Columbus	+5	+10	100	131	163	227	250
Akron	-0	+8	100	131	145	186	200

* Based on daily average sales.

Department store sales in the Fourth District during May were the highest on record, after making allowances for seasonal influences. Dollar volume was 6 percent greater than in April, and 16 percent ahead of a year ago.

With respect to individual cities, the widest gain over the preceding month occurred in **Wheeling** where the May volume was 10 percent better than the April figure. Sales in **Canton, Cincinnati, and Pittsburgh** showed April-to-May gains of 8-9 percent. In **Akron**, sales during May were unchanged from the April level.

(Continued on Page 11)

FINANCIAL AND OTHER BUSINESS STATISTICS

Bank Debits*—May, 1947

(In thousands of dollars)

(Compiled June 11, and released for publication June 13)

	May 1947	% Change From Year Ago	3 Months Ended May 1947	% Change From Year Ago
ALL 29 CENTERS.....	\$6,060,284	+19.6%	\$18,044,783	+18.9%
10 LARGEST CENTERS:				
Akron.....Ohio	\$ 221,690	+ 5.1	\$ 681,483	+10.4
Canton.....Ohio	101,295	+21.5	297,150H	+24.7
Cincinnati.....Ohio	789,941	+18.1	2,384,217	+19.5
Cleveland.....Ohio	1,593,888	+17.4	4,619,612	+17.0
Columbus.....Ohio	439,748	+ 7.5	1,368,916H	+14.5
Dayton.....Ohio	218,087	+28.6	652,365H	+25.5
Toledo.....Ohio	336,108	+18.7	1,045,502	+25.2
Youngstown.....Ohio	140,706H	+50.4	408,856H	+45.5
Erie.....Penna.	82,424	+21.5	238,645H	+24.4
Pittsburgh.....Penna.	1,599,323	+25.5	4,769,361	+19.1
Total.....	\$5,523,210	+19.6%	\$16,466,107	+19.1%
19 OTHER CENTERS:				
Covington-Newport.....Ky.	\$ 34,815	+ 6.3%	\$ 103,248	+ 6.0%
Lexington.....Ky.	49,940	+18.1	153,726	+ 9.4
Hamilton.....Ky.	35,679H	+42.3	99,918H	+27.9
Lima.....Ohio	38,733	+22.6	116,960H	+26.4
Lorain.....Ohio	16,487H	+34.6	47,544H	+34.2
Mansfield.....Ohio	35,883H	+34.3	104,647H	+32.2
Middletown.....Ohio	28,604	+21.2	86,949	+21.1
Portsmouth.....Ohio	19,884	+22.5	58,922H	+24.7
Springfield.....Ohio	42,067	+15.2	127,741H	+16.9
Stuebenville.....Ohio	21,167	+16.9	60,901H	+12.1
Warren.....Ohio	34,684H	+20.9	101,205H	+25.7
Zanesville.....Ohio	23,433H	+18.8	67,150H	+13.4
Butler.....Penna.	28,247	+21.1	80,142	+16.8
Franklin.....Penna.	6,778	- 6.6	19,334	- 8.4
Greensburg.....Penna.	17,682	+25.3	51,236	+17.1
Homestead.....Penna.	7,017	+ 9.7	20,876	+12.7
Oil City.....Penna.	20,555	+12.9	56,290	+ 8.5
Sharon.....Penna.	24,432H	+34.1	68,539H	+26.0
Wheeling.....W. Va.	50,987	+ 3.8	153,348	+ 7.6
Total.....	\$537,074	+19.3%	\$1,578,676	+17.3%

H denotes new all-time high for one month or quarter-year.

* debits to all deposit accounts except interbank balances.

Bank debits during May continued to exceed year ago totals by a substantial margin. May debits in 29 Fourth District cities were about 20 percent above the figure for the corresponding month last year, compared with year-to-year gains of 18 percent for April and 19 percent in March.

The dollar volume of debits in May amounted to \$6,060,000,000, a figure which was about equal to the April total and 2 percent higher than the March aggregate. The April and May dollar volumes have been exceeded only by the all-time high of \$6,630,000,000 set last December and by the figure of \$6,090,000,000 for June 1945, a war loan month.

TEN LARGEST CITIES

Youngstown led the large cities for the third consecutive month in percentage gain over year ago figures, this time with an increase of 50 percent. The May total of about \$140,000,000 was an all-time high and may be compared with a figure of \$95,000,000 for May 1946, and a figure of \$68,000,000 for May 1941.

In five of the ten largest cities debit totals for the three-month period of March-April-May were at an all-time high. The cities were Canton, Columbus, Dayton, Youngstown and Erie.

NINETEEN SMALLER CENTERS

May debit totals were at new all-time highs in six of the smaller cities Hamilton, Lorain, Mansfield, Warren, Zanesville and Sharon. Each of these cities also established an all-time high for any three month period. Three-month highs were likewise established in Lima, Portsmouth, Springfield and Steubenville.

Hamilton was the leading city from the standpoint of year-to-year gains, with a figure of 42 percent, while Lorain, Mansfield and Sharon were next in order with percentage increases of about 34 percent. Other cities that were slightly above the 19 percent average for the smaller centers were Lima, Middletown, Portsmouth, Warren, Butler, and Greensburg.

Time Deposits—12 Fourth District Cities

(Compiled June 5, and released for publication June 7)

City and Number of Banks	Time Deposits May 28, 1947	Average First Quarter Ended Mar. 26, 1947	Weekly Change During:	
			5 Weeks Ended Apr. 30, 1947	4 Weeks Ended May 28, 1947
Cleveland (4) ... \$	856,644,000	+\$1,095,000	-\$ 105,000	+\$278,000
Pittsburgh (13) ..	337,786,000	+ 401,000	+ 225,000	+ 269,000*
Cincinnati (8) ...	183,814,000	+ 199,000	+ 474,000	- 32,000
Akron (3)	102,103,000	+ 184,000	+ 204,000	+ 178,000
Toledo (3)	90,461,000	+ 142,000	+ 35,000	+ 50,000
Columbus (3)	71,467,000	+ 20,000	+ 93,000	- 67,000
Youngstown (3) ..	53,188,000	+ 44,000	+ 15,000	- 44,000
Dayton (3)	50,196,000	+ 43,000	+ 34,000	+ 70,000
Canton (4)	39,957,000	+ 41,000	+ 77,000	- 11,000
Erie (4)	37,543,000	+ 8,000	+ 121,000	+ 19,000
Wheeling (6)	28,876,000	+ 69,000	+ 31,000	+ 20,000
Lexington (5) ...	10,453,000	+ 31,000	+ 10,000	- 29,000
Total—12 Cities	\$1,862,488,000	+\$2,276,000	+\$1,213,000	+\$701,000

* Adjusted for a merger with a previously nonreporting bank.

Time deposits at 59 banks in the largest cities of the Fourth District advanced to a new all-time high during the month of May. The current total of \$1,862 million is about \$50 million above the level of six months ago. The rate of increase, however, has slowed down. During May the average weekly gain at the 59 banks approximated \$700,000, compared with \$1,213,000 in April and \$2,276,000 in the first quarter of the year.

In Cleveland, time deposits rose \$278,000 per week in May to an all-time high, but the increase was small in comparison with the \$1,509,000 per week gain during the first half of 1946. The Pittsburgh increase of \$269,000 exceeded the weekly increase of \$225,000 for April, but it fell short of the March figure of \$307,000 and also was below the first quarter average.

The outstanding gain for the month was reported by the Dayton banks, where the weekly increase of \$70,000 was the largest recorded since August of last year. The May gains at the three reporting banks put time deposits above the \$50,000,000 mark for the first time.

Other cities in which time deposits advanced to new record highs during May were Akron, Toledo, Erie and Wheeling. The Toledo gain exceeded that of the preceding month, while the Akron total was only slightly below the first quarter and April figures. The Erie rate of gain lagged far behind that of April, but exceeded the first quarter average.

Time deposits declined slightly during May in Cincinnati, Columbus, Youngstown, Canton and Lexington.

Retail Trade

Percentage Changes From Preceding Year

SALES	SALES	STOCKS
May 1947	first 5 months	May 1947

DEPARTMENT STORES (95)

Akron.....	+ 8	+ 7	+26
Canton.....	+17	+17	a
Cincinnati.....	+18	+11	+22
Cleveland.....	+14	+ 9	+27
Columbus.....	+10	+ 9	+11
Erie.....	+23	+13	+24
Pittsburgh.....	+18	+12	+21
Springfield.....	+15	+ 5	a
Toledo.....	+15	+11	+ 5
Wheeling.....	+10	+ 1	+16
Youngstown.....	+19	+14	a
Other Cities.....	+37	+28	+18
District.....	+16	+11	+21

WEARING APPAREL (14)

Cincinnati.....	+ 8	- 3	+37
Cleveland.....	+ 8	- 3	+49
Pittsburgh.....	-0-	- 7	+ 6
Other Cities.....	+17	+ 1	-10
District.....	+ 9	- 2	+19

FURNITURE (60)

Canton.....	+17	+ 8	+35
Cincinnati.....	+ 1	+ 3	+47
Cleveland.....	+11	+11	+43
Columbus.....	+11	+ 8	+14
Dayton.....	+ 2	+ 6	a
Pittsburgh.....	a	a	a
Allegheny County.....	+38	+27	a
Toledo.....	a	a	a
Other Cities.....	+21	+10	+45
District.....	+16	+10	+37

a Not available.

Figures in parentheses indicate number of firms reporting sales.

May Department Store Sales by Cities

(Continued from Page 10)

The greatest year-to-year improvement was registered in Erie, where the May aggregate was 23 percent above the May 1946 total. Other appreciable year-to-year gains, ranging from 17 percent to 19 percent, were established in Canton, Cincinnati, Pittsburgh, and Youngstown.

In eight of the eleven cities, dollar volume during May was at least twice that of May 1941. These comparisons, however, are not adjusted for changes in the retail price level during the various intervals covered.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication June 27, 1947)

Output and employment at factories showed further slight declines in May, although employment in the economy as a whole increased seasonally. Value of retail trade in May and the early part of June was at earlier record levels. The general index of wholesale prices advanced slightly after the early part of May, with widely varying changes for individual commodities.

Industrial Production

Production of manufactured goods showed a further slight decline in May, while output of minerals increased considerably, and the Board's preliminary seasonally adjusted index of industrial production was maintained at the April rate of 186 percent of the 1935-39 average.

Activity in durable goods industries in May was somewhat below the April rate, reflecting small decreases in most lines. Steel production increased, however, and was at the highest level since May 1945. Activity at electrical machinery plants declined somewhat further in May, and output of passenger cars and trucks was curtailed about 10 percent, mainly because of a shortage of steel sheets. Automobile production increased in the first three weeks of June but remained below the April rate. Nonferrous metal fabricating activity declined somewhat further in May; and output of most building materials continued to show a smaller increase than is usual at this season.

Production of nondurable goods, as measured by the Board's index, continued to decline in May. Output at cotton and most wool textile mills declined further. Cotton consumption in May was about 10 percent below the peak rate reached last November and apparel wool consumption has been reduced by a larger amount. Output at wool carpet and rayon fabric mills, on the other hand, increased in that period. Production of most manufactured food products declined somewhat in May after allowance for usual seasonal changes. Activity in rubber products industries continued to be curtailed. Output of paperboard, however, rose to a new record rate, which was 84 percent above the 1935-39 average. Production of most other nondurable goods showed little change or declined slightly.

Output of minerals rose 7 percent in May, reflecting a substantial gain in fuels production to the highest rate on record. Output of coal advanced sharply after declining in April because of work stoppages early in that month, and output of crude petroleum advanced further to a new peak rate.

Employment

Manufacturing employment continued to decline somewhat in May, owing mainly to production curtailments in various industries, while employment in most other types of nonagricultural establishments increased somewhat. The number of persons unemployed in May declined to about 2 million from a level of about 2.4 million during the first four months of this year.

Construction

Construction contract awards, according to the F. W. Dodge Corporation, were 12 percent larger in May than in April, owing chiefly to a sharp rise in public awards.

Value of awards for commercial and industrial buildings showed little change. Awards for private residential construction declined further in value; the number of dwelling units, however, showed little change, with an increase in apartments and a decrease in single-family dwellings built for sale or rent.

Distribution

Department store sales increased in May and the Board's seasonally adjusted index rose from a level of about 275 in March and April to 290 percent of the 1935-39 average, equaling the all-time high reached in August 1946. Sales in the first two weeks of June continued at the high May level.

Retail sales at most other types of stores also increased in May and were at about the same levels as those prevailing during the first quarter of the year, after allowance for seasonal changes.

Loadings of railroad revenue freight increased in May and the first half of June, reflecting larger shipments of coal and ore. Shipments of manufactured goods, after allowance for seasonal changes, declined somewhat further.

Commodity Prices

The general level of wholesale prices increased slightly from the beginning of May to the third week of June, reflecting chiefly increases in prices of cotton, corn, cattle, and beef. Prices of wheat, flour, and vegetable oils declined further.

Crude rubber prices dropped from 25 cents per pound to 14 cents, which is 3 cents lower than the price prevailing at the outbreak of war in 1939. Prices of various other industrial materials showed further declines but some items like hides, coke, and steel scrap increased. Prices of automobile tires and soap were reduced, while prices of most other manufactured goods continued to show little change.

Treasury Finance and Bank Credit

During May and the first three weeks of June reserve funds were supplied by a substantial gold inflow and by a decline in foreign deposits at Reserve Banks. As a result member bank reserve balances increased and Reserve Bank holdings of Government securities declined further. Treasury debt retirement continued in May and June with redemption for cash of a part of certain bill issues and one billion dollars of certificates maturing June 1.

Holdings of Government securities at member banks in leading cities declined somewhat in May and the early part of June. Commercial and industrial loans continued to decline, while real estate and consumer loans increased moderately.

Treasury war loan deposits at commercial banks were reduced to about one-half billion dollars as a result of withdrawals for debt retirement. Deposits of businesses and individuals increased further in May and June, reflecting in part cash redemption of certificates held by these groups.