

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

Vol. 21

Cleveland, Ohio, May 31, 1939

No. 5

Business conditions in the Fourth Federal Reserve District during April were not as satisfactory as in March, and in most industries production was curtailed. Industrial employment in Ohio fell two percent, and payrolls were five percent below the March level. By the third week of May, however, some improvement was noted in several lines and incoming orders were said to be in slightly better volume. Coal mining was resumed in most areas, and trade in those regions picked up.

The national steel operating rate declined from about 50 percent of capacity late in April to 45.5 percent in the third week in May. In the last week of the month operating rates rose three points. In some steel-producing areas of the district production ran counter to the national trend in the early part of May, largely as a result of somewhat better purchases by automobile manufacturers. In mid-May, prices of flat-rolled sheets and strip were reduced sharply for a short time, and buyers are said to have placed substantial tonnages for future delivery. Purchases by some automobile manufacturers were reputed to be sufficient for a large part of their forthcoming models.

Automobile assemblies in April were off 35,000 units from March, although an increase is usual, and production declined further in all but one week of May. Local parts makers reported a falling-off in orders. Plate glass production was curtailed sharply and rubber plants reported a reduction in the demand for original equipment tires. Preparations are under way for 1940 models and some parts makers have received specifications for deliveries to be made by mid-July. Machine tool builders reported that purchases of their products by the automobile industry were less than expected, but that Government work continues in large volume.

Coal production was at a virtual halt in this district during April and the first half of May. In most areas, however, operations have been resumed and railroad carloadings have increased. Low coal production was a factor in the late opening of the lake shipping season, although weather and large ore carryover stocks at lake ports and furnaces also contributed to the delay. On May 25, however, 56 percent of all ore vessels representing 57 percent of the capacity of the lake fleet were in commission. This compares with 40 percent of the boats representing 39 percent of shipping capacity in commission on June 6 last year.

The construction industry continued to show strength

during April and the first part of May. Largely as a result of publicly-financed projects, total contracts awarded in this district during April were 40 percent higher than in March and more than double the volume of April 1938. Private work was higher than in March, and small home construction continued to gain. Contracts for one-family dwellings were larger than in any other month since 1929. Makers of window glass report that a large volume of their business is going into small homes. Lumber dealers, however, continued to report that they have not experienced the pick-up in business which was expected in view of the large totals for building contracts. Paint manufacturers have experienced a seasonal increase in orders and shipments, but industrial maintenance sales were said to be less than last year.

In consumers' goods lines, there was some falling-off of activity in April, but nondurable products continued to move in good volume. Furniture manufacturers reduced operations and makers of electrical household equipment reported lower sales in April than in March. Local clothing and shoe plants, however, reduced operations less than usual between spring and fall seasons and in mid-May were said to be well along on production of fall lines. Orders for fall delivery were considerably higher than last year at this time. Retail sales of men's clothing at fourth district department stores during March and April were 15 percent larger than in the same months last year. Sales of women's wear showed a five percent gain.

Retail sales in general increased less than usual during April, but appeared to be following seasonal trends in May. At this time last year sales were at their low point for the 1937-38 recession. Collections were better than in April of last year.

Farm work and crop development is somewhat behind last year at this time in some parts of the district. Weather conditions have been unfavorable to preparation of seed beds and growth of plants. Pastures and hay fields are short. Acreage of the major crops is less than last year as a result of weather conditions and crop curtailment programs under the Agricultural Adjustment Act.

## FINANCIAL

### Member Bank Credit

Total deposits at weekly reporting member banks again increased during April and the first half of May, thus continuing the almost uninterrupted expansion begun slightly more

than a year ago. From April 13, 1938 to May 17, 1939 deposits at these banks rose \$270,000,000 to a new high of \$2,335,000,000. A large portion of these funds has remained idle, however, for in the first four months of this year debits to individual accounts at banks in twenty-four cities of the district were only 1.2 percent higher than in the similar period last year. Total debits during April were two percent below those of April last year.

As shown in the accompanying chart, total loans and investments at weekly reporting member banks increased somewhat less than deposits during the past year. In the first three months of 1939 they were remarkably stable, but an increase in April and May was apparent as banks in principal cities purchased Treasury notes and bonds. Since the first of March, new loans for commercial, industrial, and agricultural purposes have been made in slightly greater volume than repayments. Other types of outstanding loans remained in almost constant volume during April and the first half of May.

**Federal Reserve Bank Credit** Credit advanced to member banks by the Federal reserve bank was in slightly larger volume in the five weeks ended May 17 than in the preceding five weeks when bills discounted for member banks were in the lowest volume since early in 1937. Holdings of Government securities and acceptances remained unchanged. The rise in member bank reserve deposits was temporarily halted in April and May, as deposits at the Federal reserve bank were reduced from \$693,000,000 on April 12 to \$652,000,000 on May 17. A year previous they were \$579,000,000. Reserve balances of fourth district member banks were 60 percent in excess of requirements during the last half of April. Federal reserve notes in circulation on May 17 were in smaller volume than since last November.

### MANUFACTURING, MINING

**Iron and Steel** Weakness which was apparent in the iron and steel industry during most of the first four months of this year, when allowance is made for the fact that expansion usually occurs in the early months of the year, became more pronounced in the first three weeks of May but a rise of three points occurred in the fourth week. The national weekly operating rate declined from around 50 percent at the end of April to 45.5 percent in the third week of May, the lowest rate since last September, with the exception of the final week of 1938 when holiday conditions were an important factor, but rose to 48 percent the following week.

In the principal producing centers of this district, Cleveland mills moved contrary to the national trend, operations increasing from 36.5 percent in the week ended April 22, to 54 percent in the week of May 27th. This increase, in part, was a result of slightly greater activity in the automobile steel field. Southwestern Ohio mills also increased operations in late April and the first half of May. In the Pittsburgh district a drop of ten points in the weekly operating rate was recorded in the four weeks ended May 20, the curtailment having been quite general although, in part, it was contributed to by conditions in the soft coal industry. A four point recovery was reported for the latest week. At Youngstown, operations held rather close to the April level, there being a slight

gain to 45 percent of capacity. Wheeling mills operated at better than the national average rate and in the latest week activity was at 59 percent of capacity.

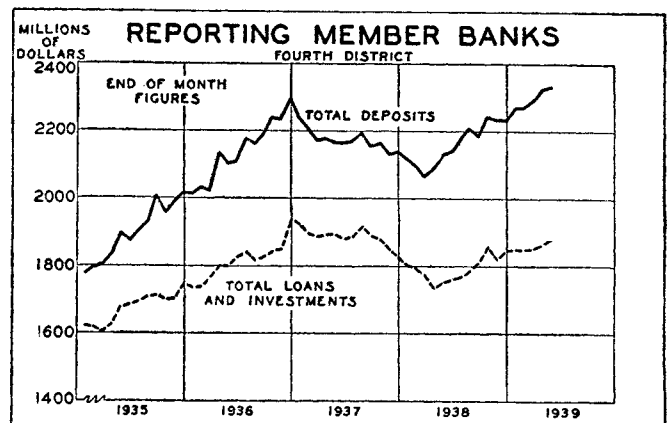
Probably the most important development in the steel situation recently was the sudden open break in flat-rolled steel prices following a period in which weakness had brought substantial price concessions, especially in the automobile districts. Announcement in mid-May by an important element in the steel industry, reaffirming prices for third quarter delivery, with certain concessions, steadied the situation, but prior to that, large steel tonnage orders had been placed. Conditions were similar to those which prevailed last fall when consumers were able to cover a large part of their needs for months ahead at prices well below the market. While no data are available concerning the volume of recent orders, it is felt by the trade that tonnages placed probably are sufficient to carry well through the third quarter.

When flat-rolled products were being ordered in such volume, demand for other steels was reported slightly less active. With prices now reaffirmed for third quarter, there is little incentive to purchase ahead. Sales of steel by warehouses recently have been running well ahead of last year because of the fact that many customers who ordinarily buy large enough quantities to order directly from mills recently have been purchasing in such small volume that warehouse jobbers are better able to supply their needs.

It is felt that the auto and parts companies have about completed their steel purchases for 1939 models and heavy shipments of steel for the new cars will not be required for a number of weeks.

While the largest number of freight cars were ordered in April since May 1938, total buying of steel and rolling stock by roads has been light. On the whole, it was reported that total bookings of steel products in April were from 15 to 18 percent below the March volume and, with the exception of structural steel plates and shapes, tin plate and semi-finished steel, sales of most products declined substantially.

Total steel ingot production in April was 2,986,985 gross tons, a decline of twelve percent from March, and the smallest weekly rate since last September. The operating rate, in terms of theoretical capacity, was just under 51 percent for the month. In the first four months of this year output exceeded the corresponding period of 1938 by 135 percent.



The iron ore moving season has opened very late this year. Only about one-fifth as much ore was dispatched from upper lake ports in April as in the same month of 1938. Prices for Lake Superior iron ore for the current season were established by the first sale this year at the same level as has prevailed since 1937. Ore stocks at furnaces and on Lake Erie docks totaled 22,709,000 tons on May 1, about one-third less than a year ago at this time, but at the rate of consumption in the latest month they still constituted more than seven months' supply.

Pig iron production in April was 2,063,080 gross tons, a decrease of close to eleven percent from March in the daily average rate, and the lowest since October 1938. Twenty-one fewer blast furnaces were operating on April 30 than a month earlier; 102 were active on the latest date, although a further contraction occurred in the first part of May. Coal shortages were given as a factor partly responsible for the closing down of some of these furnaces. *Steel's* composite price of steel-making scrap reflects the limited demand for raw materials, having declined from \$14.46 at the end of April to \$13.96 in the third week of May.

#### Coal

Production of coal was almost at a standstill in the fourth district during April and the first half of May because miners' representatives and operators failed to agree on terms for renewal of contracts which expired April 1. Total output of bituminous coal in Ohio, western Pennsylvania and eastern Kentucky amounted to only 575,000 tons in April, compared with 13,464,000 tons in March and 8,789,000 tons in April last year. Production during the first quarter of the year had been stepped up in anticipation of a possible stoppage, so that in spite of the shutdown, the amount of coal mined in this district during the first four months of this year was almost exactly the same as was mined in the same months last year. In comparison with 1937, however, production was down 38 percent. In the latter part of May, most local mines had resumed activities, but operations were still on a restricted basis in southern Kentucky.

On April 1, when production ceased over most of the Appalachian area, stocks of bituminous coal in the hands of commercial consumers in the United States were estimated by the National Bituminous Coal Commission at 40,505,000 tons. At the March rate of consumption and if evenly divided, this was sufficient to last about forty-one days. By mid-May, however, there was little indication

that industry was suffering from lack of fuel. In a few instances, plants were shut down or furnaces banked, but this situation was not at all general. Coal inventories were reduced, it is true, but usually not to serious levels, and operators reported a disappointing demand for coal when production was resumed. Demand was said to be even less than it was before the suspension, and in nearly all cases, prices returned to the levels that existed in March.

Shipments of coal from Lake Erie ports during April were almost 50 percent below those of the same month last year. Coal on hand at lower lake docks was practically exhausted by the end of April and grain and ore carriers reported difficulty in securing return cargoes of coal until late in May. At upper lake ports, stocks on hand were reduced 700,000 tons in April to a total of 3,825,000 tons on May 1. This was 16 percent below the amount on hand a year earlier.

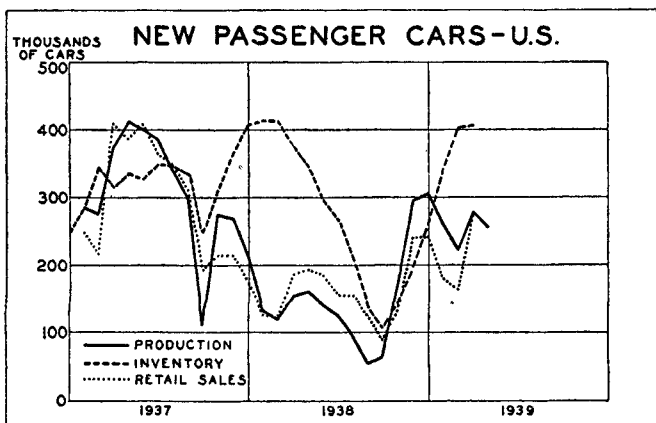
#### Automobiles

The automobile industry so far this year apparently has not experienced the demand for new cars that it expected would develop this spring. Weather and general conditions have not been conducive to new car sales in large volume during much of the period. In relation to last year, the gains in sales have been sizable and production in the first four months, at 1,346,305 cars and trucks, according to the *Department of Commerce*, was 60 percent in excess of the first four months of 1938, but the industry was quite depressed a year ago and was endeavoring to reduce dealer stocks.

Inventory data for the auto industry are not too dependable, but figures recently released by the *Automobile Manufacturers' Association* show that at the end of April inventories of passenger cars and trucks were reduced less than 3,000 units from March, whereas April output was nearly 35,000 cars and trucks under March, a contrary-to-seasonal production trend, and sales normally are larger in April than in the month preceding. In other words, despite a 9.3 percent decline in output at a time when sales usually are increasing, inventories of new cars and trucks were reduced only nominally. In relation to current sales, the inventory position is better than a year ago, although the actual number of cars in dealer hands in April was at a record high level and somewhat above last year. The accompanying chart shows domestic passenger car production, sales, and month-end inventories. Inventories rose rapidly since last fall and on the latest date were larger than a year ago at this time.

Retail sales in the first three weeks of May in Cleveland (Cuyahoga County) were 72 percent in excess of the low level at this time last year, a somewhat larger increase than was evident in late March and the first two weeks of April, but they have declined rather sharply from the late March peak.

The Board's seasonally adjusted index of daily average automobile production has declined each month since the January peak of 105 percent of the 1923-25 average and in April was 87. Figures for the first three weeks of May showed a further contraction and the strike at a large body plant in the last week of the month had an adverse effect on production schedules at several plants. Actual May output probably will be somewhat under April. Prior to 1938 the spring peak in auto assemblies generally has been in either April or May. Last year it was in March



and the same probably was true of this year. Statements to the effect that 1940 models are to be introduced somewhat earlier this year than usual are in part reflected in recent developments in the auto parts and raw material fields.

Cleveland auto parts plants reported a contraction in hours worked as well as in number of employees in the third week of May as compared with April, about a month earlier than usual, and recent reported large purchases of sheet and strip steel at price concessions indicate preparations for the new cars are well advanced. Reports from parts makers in this district, however, showed considerable variation so far as shipments of parts for the 1939 models, and orders and release dates for new model materials were concerned. Variations depended in large part on the source of such orders, indicating that considerable diversity exists in the assembly industry as to when the changeover period will occur.

Truck production and sales are reported to have been in closer agreement this spring than passenger cars. The gain in output in the first four months was 31 percent over last year, while in April it was 48 percent. In the passenger car field the April increase was somewhat smaller than that reported for the four months.

#### Rubber, Tires

The rubber industry reports that the high level of operations reached in March was not maintained in April, but that some improvement was noted again in mid-May. April consumption of crude rubber in the United States, as reported by the *Rubber Manufacturers' Association*, declined twelve percent from its March level, but it was still nearly 50 percent in excess of consumption during April 1938. In the first four months of the year, domestic crude rubber consumption amounted to 183,000 tons, compared with 112,000 tons in the same months last year. This was a gain of 64 percent. Consumption exceeded imports in each of the last twelve months and domestic stocks were reduced from 304,000 tons a year ago to 191,000 tons at the end of April. At its May meeting, the International Rubber Regulation Committee raised the permissible export allowance from 50 to 55 percent of its basic quota. After the announcement, prices continued to fluctuate in a narrow range at about the level that has been maintained for the last ten months.

The falling-off in April rubber consumption was attributed by manufacturers to an earlier than usual decline in the demand for original equipment tires, and some hesitancy in the replacement tire market. In the first quarter of the year, replacement sales were unusually good, exceeding both 1938 and 1936 by substantial margins, and were only nine percent below the 1937 level. In April, however, they failed to make their seasonal rise. Retail tire sales were reported to have slowed down somewhat, and there was a reduction in the receipt of large orders from dealers and operators of truck and bus fleets. These buyers were said to be purchasing for immediate needs only. In the first quarter of the year, according to the *Department of Commerce*, dealers' stocks had increased 300,000 units seasonally to 6,800,000 casings. On April 1 they were about two percent lower than they were on the same date last year. Manufacturers' stocks continued to rise during April, but in view of the recent

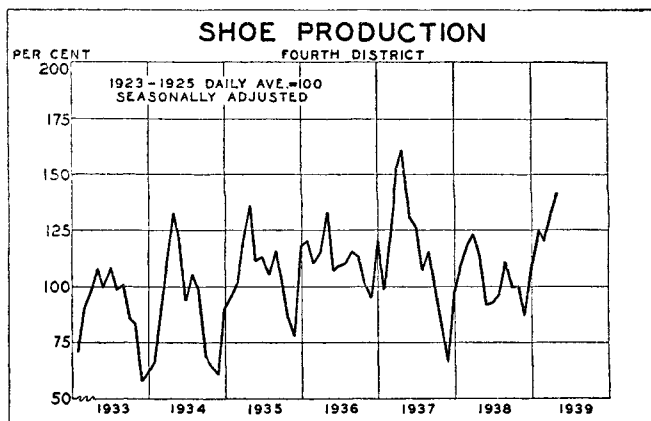
large volume of sales, producers do not consider them excessive. Operating rates were reduced, however, in order to avoid further accumulation, but in mid-May several producers reported improvement over April in both shipments and production. Orders for mechanical rubber goods were also said to have increased after a period of declining sales.

#### Textiles and Clothing

The textile and clothing industries continue to report a favorable volume of business. Men's and youths' suits cut in Cleveland and Cincinnati areas during the first nine weeks of the year were nine percent in excess of those cut during the same period last year. These are the latest official figures available, but reports from manufacturers indicate that this favorable comparison was maintained in March and April. Production was held at a steady rate during these months, with little or no shutdown between work on spring and fall lines. This situation is in marked contrast with last year, when there was a long period of curtailed operations after spring and summer goods had been shipped. In mid-May most firms were well along with production of fall and winter clothing, and orders for the fall season were said to be substantially ahead of 1938.

As a result of this situation in the men's clothing field, textile companies also reported favorable conditions in April and the early part of May. Incoming orders at local worsted mills were said to be 25 percent above those received in the same period last year and there was very little easing up of operations after spring shipments had been completed. In mid-May, mills were well along on fall lines, but had a backlog of orders sufficient to keep them going until well into the summer.

Retail sales of clothing held up well in the fourth district during March and April. Month-to-month comparisons for clothing sales were distorted this year because of the fact that Easter was a week earlier in 1939 than the year previous. As a result, a larger part of the Easter business was done in March than was the case in 1938. Taking March and April together, however, the dollar volume of women's wear sales at reporting department stores during these two months was more than five percent larger than during the same two months last year. Men's clothing sales showed a 15 percent gain, and sales of men's furnishings rose five percent. Since prices of these articles were under what they were last year, physical volume of sales was probably a little larger in rela-



tion to 1938 than is shown by the dollar amounts. In March and April, *Fairchild's* indexes of retail clothing prices were about two percent lower than they were during the same months last year.

**Other Manufacturing** Conditions in miscellaneous manufacturing industries of the fourth district were extremely spotty in the latter part of April and the first half of May. Although most lines experienced declines for the full month of April from March levels, by mid-May many firms reported some improvement. Manufacturers of heavy electrical equipment reported a slight decline in incoming orders from March to April, but an equally slight pickup in May. Comparisons with a year ago showed marked variations between firms in this industry. Some companies reported only slightly better operating rates than last year, while others said their business was about 20 percent better than in 1938.

The glass industry, which operated at a fairly high rate during the first quarter of the year, curtailed operations in April and early May. April production of plate glass was 7,268,068 square feet, a decrease of nearly 40 percent from March output, but still 90 percent higher than last year, according to the *Plate Glass Manufacturers Association*. Production for the first four months of the year was 41,432,816 square feet, compared with 15,404,864 square feet in the 1938 period. Output was curtailed further during May, for local producers reported a decline in specifications from automobile manufacturers. This reduction was due to the impending shift to 1940 models, but demand from other purchasers and consumers continued on a hand-to-mouth basis.

The window glass industry also reduced operations in April and production fell from 56 percent of capacity in March to 46 percent in April. This was the lowest rate since last October. Orders and shipments also declined. These movements were not of a seasonal character.

With paint consumption running at seasonally high levels, in mid-May producers of paints and varnishes reported that business had continued on a satisfactory basis so far in the second quarter of the year.

Orders for new machine tools received during April remained at a high level, but fell considerably below those received in March. The index of orders compiled by the *National Machine Tool Builders Association* dropped 29.8 points, or 16 per cent, in April, to 155.6 percent of average monthly shipments in 1926. This decline followed a continuous rise which carried the index from 112.2 in November to 195.4 in March. The April level was almost exactly equal to the average for 1929, and 72 percent higher than during the same month last year. The recent decline was said to be partly seasonal in some cases, but was not entirely attributed to that factor. Automobile buying was reported to have been below earlier expectations, although inquiries from this source were said to be fairly good. Government work continued in steady volume during April and increased in May, according to reports. Demand from private sources during May, however, held at about the April level. In some cases, small declines in this type of business were noted.

April orders for foundry equipment remained at the high March level, and were 84 percent above the same

month last year. Shipments rose, but they were still below the volume of new orders received. As a result, unfilled orders on hand at the end of the month gained for the tenth consecutive month.

Makers of fine papers reported a 20 percent drop in incoming orders during April. In spite of the decline in new business, shipments exceeded production and inventories continued to contract. Operating rates were held steady. Producers of boxboard and paper boxes reported a falling-off of incoming orders in April and early May.

Durable consumers' goods lines reported a recent falling-off in business. Furniture producers, who have been operating at generally high rates, were said to have curtailed operations in April and early May. Dealers in fine woods, as a result, experienced a reduction in sales and prices were weak. New orders received by dinnerware and pottery manufacturers also declined in April and May. Some reduction is usual at this time, but it was said to have been more than seasonal. Production was curtailed, but inventories were built up somewhat. Sales of electric vacuum cleaners by the entire industry were 18 percent less than in March, but 3 percent higher than in April of last year, according to the *Vacuum Cleaner Manufacturers Association*. Sales during the first four months of the current year totaled 492,202 units, compared with 493,723 in the corresponding period of 1938. Manufacturers of stoves and refrigerators have curtailed operations recently.

The shoe industry continues to report a large volume of business. Production declined less than seasonally during April, and output of fourth district factories was larger than in any other recent year with the exception of 1937. It was 20 percent larger than in April 1938. As shown in the accompanying chart, the seasonally adjusted index of shoe production in this district rose ten points to over 140 percent of the 1923-25 average.

## TRADE

**Retail** Retail sales at fourth district department stores were larger in April than in March, although the increase was less than seasonal, and the adjusted index fell eight points to 84 percent of the 1923-25 average. This was the lowest point reached by the index since last October, but was still six percent higher than in the same month last year. Data from weekly reporting stores indicated that sales were following the usual seasonal pattern in May, for in the three weeks ended May 21, these stores showed a gain of eleven percent over comparable weeks in 1938. In May of last year, the adjusted index fell to 74 percent of the base period, the lowest point reached since 1935.

Department stores continued to purchase cautiously during April, and although sales may not have come up to expectations, inventories were increased less than seasonally. At the beginning of May, the adjusted index of department store stocks was still five percent higher than the low point reached at the end of December, but stocks were six percent lower than on May 1 last year.

In comparison with last year, stores in Dayton and Akron continued to show the best gains. This was due to the relatively depressed conditions in those cities during the early part of 1938.

Collections at fourth district department stores have held up well during the last six months. Collections on regu-

lar charge accounts outstanding at the beginning of the month were better in April than in any other April since 1927, with the exception of 1937. Collections were slow last spring and summer, but beginning in October, improvement was quite marked.

**Wholesale** Wholesale trade in the fourth district failed to maintain the volume achieved in March, for, according to the *Department of Commerce*, sales by reporting firms were nearly ten percent below the March level. This decline was more than could be attributed to the shorter month, and sales were slightly lower than in the same month last year. The recent falling-off was general throughout the district, for all cities reported smaller sales than in March.

The experience of reporting groups was quite varied. Wholesalers of paints and varnishes benefited from a seasonal demand for their products and sales rose 18 percent over the March level. They were 24 percent below last year, however. The only other groups to show improvement during April were farm products, furniture, and metals. Sales by wholesale furniture dealers were five percent larger than in April last year. In the clothing trade, the fact that Easter was one week earlier this year than last resulted in a large part of the Easter business being done in March. April sales by clothing dealers were nearly 40 percent below March and 24 percent below April of last year.

No marked trend was noticeable in inventories. Total stocks of all reporting firms were one percent higher at the end of April than at the beginning, but five percent below the level of last year at that time.

### CONSTRUCTION

Total construction contracts awarded in the fourth district during April amounted to \$38,015,000, a gain of 40 percent over March and 119 percent over April of last year. Residential construction remained at approximately the March level, but when allowance is made for the fact that April had two less business days than March, a gain of about eight percent was recorded. This is somewhat less than the usual seasonal rise. Residential contracts awarded during the first four months of the year, however, were larger than in any other year since 1929. They were 75 percent above 1938. Total contracts awarded in this period were in the largest volume since 1930, and 50 percent higher than last year. The following table compares residential and total contracts awarded in each

of the first four months of the year with figures for corresponding months in 1938 and 1937:

	CONSTRUCTION CONTRACTS AWARDED					
	Fourth District (Thousands of Dollars)					
	Residential			Total		
	1939	1938	1937	1939	1938	1937
January .....	8,264	3,736	11,241	27,302	19,379	28,648
February .....	7,118	4,423	5,771	22,734	14,304	17,408
March .....	11,621	6,841	8,592	27,227	25,725	26,712
April .....	11,661	7,046	10,817	38,015	17,397	25,917
Total .....	38,664	22,046	36,421	115,278	76,805	98,685

Source: F. W. Dodge Corporation

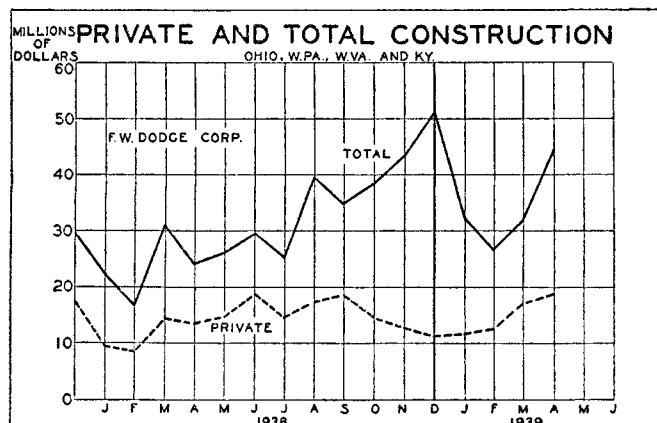
As shown in the chart, most of the April gain over March was caused by a resumption of activity in publicly-financed projects. There was, however, an encouraging rise in private work during March and April. Most of the Government expenditure included in the April figures was in the field of public works, but there was a Federal Housing project in Dayton in the residential group. There was less public nonresidential building than in any other recent month, whereas a seasonal rise in private nonresidential building occurred in March and April.

In the residential field, construction of individual dwellings continued to increase. Contracts for one- and two-family houses awarded in Ohio, western Pennsylvania, West Virginia, and Kentucky during April were in the largest volume in any month since August 1929. They were 80 percent larger than in April of last year, and 15 percent above 1937. In this area, contracts for this type of building awarded during the first four months of the year amounted to \$35,813,000. This total was 67 percent larger than in 1938 and 30 percent larger than in 1937.

In spite of these relatively large totals for construction contracts awarded, reports from dealers in lumber and building supplies continue to be rather conflicting. According to the *Department of Commerce*, wholesalers of these materials who are located in the fourth district sold 5.8 percent less in April than they did in March. Dollar volume of sales in April was also slightly below that of the same month last year. Prices were generally lower than they had been a year previous, so the physical volume handled was a little larger than in 1938.

Weather conditions continued to hinder farm work during April and the first three weeks of May. In April, the ground was too wet and cold to allow preparation of seed beds, while in early May many farms suffered from drought. As a result, planting of spring crops was backward and early-sown oats were reported to have come up with poor stands. On the other hand, the late spring was favorable to fruit. There was no general frost damage such as was experienced last year, although some areas suffered from local freezes. Pastures and forage crops were short and slow in developing. This situation is in marked contrast to last year, when rapid spring growth resulted in abundant hay supplies.

An increasing trend toward mechanization of farm operations is evident in this district as farmers complain of high wage rates for agricultural labor. The *Department of Agriculture* reports that hired workers on farms in East North Central States were five percent less numerous on May 1 than they were a year previous, and that the increase in March and April this year was less than in the same months of 1938. Most of the relative decrease in the number of hired workers is probably due to unfavorable price movements and the late spring, but some of



the decline is undoubtedly caused by increased use of labor-saving machinery. Many country banks are said to be actively seeking loans to farmers for purchase of tractors and other mechanical equipment.

**Wheat** Wheat came through the winter in fairly good shape, but the wet, cold April and dry May retarded development. Loss from winterkilling was small except in northwestern Ohio. In mid-May, some yellow spots were evident on low ground in Kentucky and southern Ohio, but in general, the crop was said to be fair to good. Acreage abandonment, however, was somewhat larger than last year because of efforts of many farmers to meet their acreage allotments under the Agricultural Adjustment Act. Some land planted to wheat last fall has been diverted to forage. Largely as a result of reduced acreage, but also because of less favorable weather conditions, the *Department of Agriculture* estimated on May 1 that this year's wheat production in Ohio, Kentucky, and Pennsylvania would amount to 59,741,000 bushels, a decline of 22 percent from last year, but slightly higher than the 1928-37 average. Acreage reductions and recent deterioration of the crop in many important western regions made it unnecessary for the Secretary of Agriculture to call for a referendum on marketing quotas under the Agricultural Adjustment Act of 1938.

**Tobacco** The 1939 tobacco crop also suffered from unfavorable growing conditions in April and early May. Plants developed

slowly during that period, and in some parts of Kentucky beds were said to be infected with mildew. Continued cool weather would result in considerable damage from this source. Stands in most beds are said to be thin, and according to report, there may not be enough plants to set out the usual acreage.

**Fourth District Business Statistics**

(000 omitted)

	April 1939	% change from 1938	Jan.-April 1939	% change from 1938
Fourth District Unless Otherwise Specified				
Bank Debits—24 cities	\$2,016,000	+ 2.0	\$8,070,000	+ 1.2
Savings Deposits—end of month:				
40 banks, O. and W. Pa.	\$ 780,230	+ 1.0	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 70,286	+ 2.4	333,607	+17.5
Retail Sales:				
Dept. Stores—54 firms	\$ 22,476	- 0.08	76,664	+ 2.0
Wearing Apparel—13 firms	\$ 921	- 0.8	3,260	+ 2.0
Furniture—40 firms	\$ 874	+15.6	2,739	+11.5
Building Contracts—Total	\$ 38,015	+118.5	115,278	+50.1
" —Residential	\$ 11,661	+65.5	38,664	+75.4
Commercial Failures—Liabilities	\$ 2,093	+13.4	5,989	-34.0
" Number	92 <sup>2</sup>	0.0	320 <sup>3</sup>	-12.6
Production:				
Pig Iron—U. S.	tons 2,063	+48.6	8,699	+155.8
Steel Ingot—U. S.	tons 2,987	+55.7	12,581	+134.9
Auto—Passenger Car—U. S.	273,409 <sup>2</sup>	+55.3	1,093,125 <sup>2</sup>	+69.5
Auto—Trucks—U. S.	63,963 <sup>2</sup>	+48.0	253,170 <sup>2</sup>	+31.8
Bituminous Coal, O., W. Pa., E. Ky.	tons 575	-93.5	38,732	0.0
Elec. Power, O., Pa., Ky.	thous. k.w.h. 1,696 <sup>3</sup>	+13.6	4,975 <sup>4</sup>	+11.6
Petroleum—O., Pa., Ky.	bbls. 2,143 <sup>3</sup>	-11.1	6,132 <sup>4</sup>	- 9.4
Shoes	pairs 15 <sup>5</sup>	+20.4	5	+ 9.2
Bituminous Coal shipments:				
L. E. Ports	tons 1,027	-46.9	1,394	-32.3

<sup>1</sup> not available      <sup>4</sup> Jan.-March  
<sup>2</sup> actual number      <sup>5</sup> confidential  
<sup>3</sup> March

**Wholesale and Retail Trade**

(1939 compared with 1938)

	Percentage Increase or Decrease		
	SALES April 1939	SALES first 4 months	STOCKS April 1939
<b>DEPARTMENT STORES (54)</b>			
Akron	+10.7	-12.6	- 1.7
Cincinnati	- 0.4	+ 0.3	- 8.2
Cleveland	- 1.3	+ 0.9	- 4.3
Columbus	+ 1.3	+ 3.8	+ 0.3
Dayton	+31.5	+19.5	+ 2.7
Pittsburgh	- 5.4	- 1.5	-10.1
Toledo	+ 8.6	+ 4.2	- 4.4
Wheeling	-13.9	- 4.1	-15.0
Other Cities	- 0.8	+ 3.6	- 2.9
District	- 0.08	+ 2.0	- 6.2
<b>WEARING APPAREL (13)</b>			
Cincinnati	-16.2	-10.1	+ 7.9
Cleveland	+ 6.4	+ 6.9	+ 2.3
Pittsburgh	- 7.4	- 0.9	- 7.8
District	- 0.8	+ 2.0	+ 0.5
<b>FURNITURE (40)</b>			
Cincinnati	+ 7.1	- 4.7	
Cleveland	+27.1	+18.8	
Columbus	+ 3.3	+ 9.9	
Dayton	+ 6.3	+ 1.5	
Toledo	-12.3	- 9.7	
Other Cities	+17.8	+19.9	
District	+15.6	+11.5	
<b>CHAIN STORES*</b>			
Groceries—District (4)	+ 0.4	+ 2.8	
<b>WHOLESALE TRADE**</b>			
Automotive Supplies (11)	- 4.3	+ 9.1	- 6.6
Clothing and Furnishings (5)	-24.0	1	1
Drugs and Drug Sundries (5)	+ 0.8	+ 7.3	1
Dry Goods (7)	- 2.1	+ 7.6	- 6.4
Electrical Goods (17)	- 6.7	- 0.3	-15.6
Farm Products (Consumer Goods) (8)	- 3.2	1	+ 4.0
Furniture & House Furnishings (4)	+ 5.3	+10.2	1
Groceries & Foods (exc. Farm Products) (61)	- 5.6	- 3.5	- 0.9
Total Hardware Group (41)	+ 1.2	+ 3.5	- 4.6
General Hardware (11)	- 5.8	- 2.0	- 3.7
Industrial Supplies (15)	+15.2	+10.6	-12.7
Plumbing & Heating Supplies & Equipment (15)	+ 6.0	+ 9.4	+ 6.2
Jewelry & Optical Goods (7)	-33.3	- 5.8	- 4.9
Lumber and Building Materials (5)	- 1.1	+ 3.8	+ 9.8
Machinery, Equip. & Sup. (exc. Elect.) (8)	+ 5.2	-10.1	1
Meats and Meat Products (4)	-24.5	1	+ 6.8
Metals (4)	+56.0	+48.1	- 1.9
Paints and Varnishes (7)	-24.1	1	+10.9
Paper and its Products (9)	+ 5.8	+ 7.0	- 4.5
Tobacco and its Products (19)	- 2.1	- 2.6	-24.7
Miscellaneous (20)	+ 1.1	+16.9	- 7.3
District—All Lines (242)	- 3.0	+ 3.4	- 5.1

\* Per individual unit operated.  
 \*\* Wholesale data compiled by U. S. Department of Commerce.  
 1 Not available.

**Debits to Individual Accounts**

(Thousands of Dollars)

	4 Weeks ended May 17, 1939	% change from 1938	Year to Date Dec. 29, 1938 to May 17, 1939	Year to Date Dec. 30, 1937 to May 18, 1938	% change from 1938
Akron	59,700	+14.1	292,098	263,460	+10.9
Butler	8,276	+ 3.8	39,823	40,053	- 0.6
Canton	30,929	+13.1	151,948	138,688	+ 9.6
Cincinnati	286,884	- 0.9	1,426,288	1,420,568	+ 0.4
Cleveland	488,284	+ 3.8	2,411,190	2,256,102	+ 6.9
Columbus	152,267	-12.1	757,281	760,189	- 0.4
Dayton	60,348	+ 8.4	290,240	284,430	+ 2.0
Eric	24,338	+ 3.5	118,012	116,420	+ 1.4
Franklin	2,273	-17.0	11,803	13,047	- 9.5
Greensburg	5,747	- 8.5	29,518	30,708	- 3.9
Hamilton	10,024	+ 5.6	48,448	47,631	+ 1.7
Homestead	2,928	+ 9.3	13,310	13,152	+ 1.2
Lexington	17,446	- 0.6	119,121	122,069	- 2.4
Lima	11,507	-10.5	58,220	65,496	-11.1
Lorain	4,347	0.0	21,255	21,064	+ 0.9
Middletown	9,402	+21.6	45,448	39,527	+15.0
Oil City	8,591	- 3.2	42,778	45,540	- 6.1
Pittsburgh	526,464	- 2.2	2,736,755	2,786,194	- 1.8
Sharon	7,330	+14.2	35,706	33,544	+ 6.4
Springfield	15,753	+ 6.9	77,272	77,284	- 0.02
Steubenville	8,555	+10.9	40,687	38,156	+ 6.6
Toledo	105,554	+13.4	519,690	494,093	+ 5.2
Warren	9,436	+27.9	42,063	36,588	+15.0
Wheeling	26,543	+ 3.0	136,731	125,124	+ 9.3
Youngstown	38,676	+11.1	192,729	176,753	+ 9.0
Zanesville	7,222	+ 8.2	36,295	33,265	+ 9.1
Total	\$1,928,824	+ 1.1	\$9,694,709	\$9,479,145	+ 2.3

**Fourth District Business Indexes**

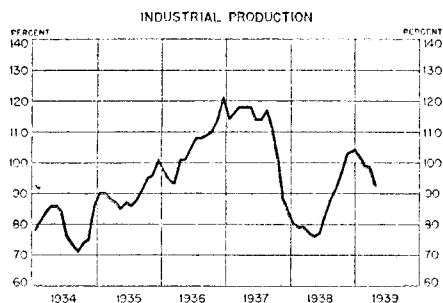
(1923-25 = 100)

	April 1939	April 1938	April 1937	April 1936	April 1935
Bank debits (24 cities)	74	76	99	85	71
Commercial Failures (Number)	63	63	47	45	58
" (Liabilities)	47	42	39	47	40
Sales—Life Insurance (O. and Pa.)	73	71	101	86	98
" —Department Stores (48 firms)	92	89	98	89	79
" —Wholesale Drugs (5 firms)	90	89	110	97	88
" —Dry Goods (7 firms)	39	40	54	50	46
" —Groceries (61 firms)	61	65	83	71	66
" —Hardware (11 firms)	67	71	101	83	68
" —All (84 firms)	61	64	83	72	65
" —Chain Drugs (4 firms)**	1	91	98	89	73
Building Contracts (Total)	80	37	54	51	24
" (Residential)	68	41	63	38	17
Production—Coal (O., W. Pa., E. Ky.)	3	49	66	68	49
" —Cement (O., W. Pa., E. Ky.)		55	75	55	45
" —Elec. Power (O., Pa., Ky.)*	202	178	206	169	149
" —Petroleum (O., Pa., Ky.)*	116	131	129	120	115
" —Shoes	114	94	134	111	113

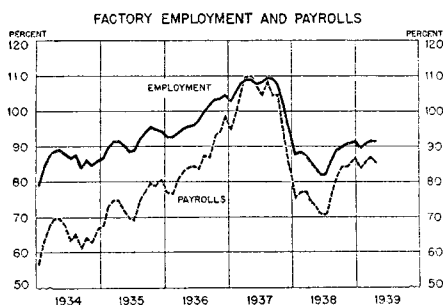
\* March  
 \*\* Per individual unit operated  
 1 Not available

## Summary of National Business Conditions

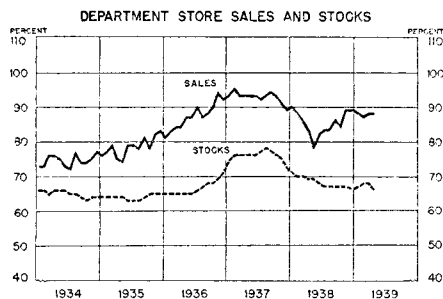
By the Board of Governors of the Federal Reserve System



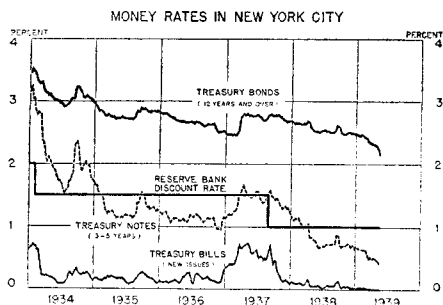
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to April 1939. Latest figure—92.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-25 averages = 100. By months, January 1934 to April 1939. Indexes compiled by the United States Bureau of Labor Statistics. Latest figures—Employment 91.3, Payrolls 85.0.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to April 1939. Latest figures—Sales 88, Stocks 66.



For weeks ending January 6, 1934, to May 20, 1939.

Volume of industrial production declined sharply in April reflecting chiefly shutdowns at bituminous coal mines and reduction in activity at textile mills. Retail purchases by consumers were maintained.

### Production

In April the Board's seasonally adjusted index of output at factories and mines was at 92 percent of the 1923-1925 average, compared with 98 in March and 77 a year ago.

In the steel industry production declined in April and the first three weeks of May but in the fourth week ingot output increased to 48½ percent of capacity, about the rate prevailing a month earlier. Around the middle of May substantial concessions were made in prices of some types of steel and it is reported that a considerable volume of orders for steel was placed during this period.

Automobile production in April was at about the same rate as in March, although usually there is some increase, and in May output declined owing in part to the fact that stocks of new cars were larger than is usual at this time of the year. Plate glass production decreased sharply in April following smaller declines earlier in the year.

In the lumber industry output increased somewhat in April, while cement production, which had risen sharply in February and March, showed less than the usual increase.

Textile production declined sharply in April, particularly at woolen mills, where output had been at a high level, and in the silk goods industry where further curtailment reflected in part recent high prices for raw silk. Output of shoes showed a decrease from the high level maintained during the first quarter of this year. At flour mills and sugar refineries activity increased further, while in most other non-durable goods lines changes in output were largely seasonal in character.

Bituminous coal production was in small volume during April and the first half of May as most mines were closed pending settlement of contract negotiations between mine operators and workers. After the middle of May agreements were reached at most mines and output began to increase rapidly. Production of anthracite, which had been reduced in March, increased sharply in April and crude petroleum production rose further. In the first half of May anthracite production was maintained but petroleum output declined somewhat.

Value of construction contracts awarded, according to the F. W. Dodge Corporation, was larger in April than in March, owing chiefly to a rise in awards for public projects. Contracts for private construction showed little change in the aggregate as private residential contracts declined, contrary to seasonal tendency, while contracts for commercial, factory, and other private construction increased.

### Employment

Employment in nonagricultural pursuits declined somewhat from the middle of March to the middle of April reflecting a sharp drop at bituminous coal mines offset in part by seasonal increases in construction and trade. At factories the number employed showed little change while pay rolls declined considerably because of fewer hours of work.

### Distribution

In April distribution of commodities to consumers showed about the usual seasonal increase. The Board's adjusted index of department store sales remained at 88 percent of the 1923-1925 average, about the level that has prevailed since last autumn.

### Commodity Prices

Prices of grains and cotton advanced from the middle of April to the third week of May and there were also increases in prices of silk, hides, and bituminous coal. Prices of copper and steel scrap, on the other hand, were reduced and substantial concessions were granted in prices of several leading steel products.

### Bank Credit

Total loans and investments at reporting member banks in 101 leading cities, which had increased in April, declined during the first half of May. The decline was at New York City banks and reflected a reduction in loans to security brokers and dealers and redemption of obligations of New York State and City governments. After increasing substantially in April, demand deposits at banks in leading cities showed little change in the first half of May. Bank reserves increased further in May to a new high level.

### Money Rates

Prices of United States Government bonds and notes increased sharply during the last half of April and the first three weeks of May to new high levels. The average yield on long-term Treasury bonds declined from 2.34 percent on April 11 to 2.13 percent on May 22. Other money rates showed little change.