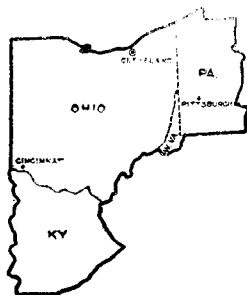


MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 21

Cleveland, Ohio, June 30, 1939

No. 6

Business sentiment in the Fourth Federal Reserve District improved late in May and the first three weeks in June, as orders were received in somewhat better volume than was the case earlier in the year. Production and employment, however, have reflected this improvement only to a moderate extent except in the case of industries where special factors have brought about increases in operating rates. In most fields, inventories have been reduced to points from which further liquidation is not being pressed, but an increase in forward buying has been noted in only a few instances. Bank debits during May were slightly below the daily average rate for April.

Local industries which made the largest gains late in May and the first three weeks of June were steel, coal, and machine tools. Steel producers booked a large volume of business during a period of price weakness in May, and production of steel ingots has been expanded partly as a result of anticipation of heavy deliveries of finished steel products later in the year. Coal mining has partially recovered from the effects of the shutdown in April and the first half of May, but output has not been increased to the level prevailing before the strike. New orders for machine tools received by the industry in May were exceeded in only two other months since 1919. A large volume of foreign orders and Government purchases accounted for most of the increase.

Lake shipping has also picked up as a result of improvement in steel and coal. In mid-June two-thirds of the available ship capacity of the Great Lakes was in service, compared with 40 percent a year ago at that time. The number of ships engaged in ore transportation was nearly double what it was in 1938, and ore receipts at lower lake docks are more than twice what they were last season. In the week ended June 19, dumpings of coal into vessels at lower lake ports increased for the fifth consecutive week. During the last two weeks, coal shipments were larger than in the corresponding periods last year, but for the season to date they show a 30 percent drop.

Figures relating to commercial failures also show improvement. Total liabilities of firms entering bankruptcy in this district were exceptionally low during May. In only two other months in the last fifteen years have liabilities of failing firms been lower than they were in the latest month. During the first five months of the year they were eleven percent below last year.

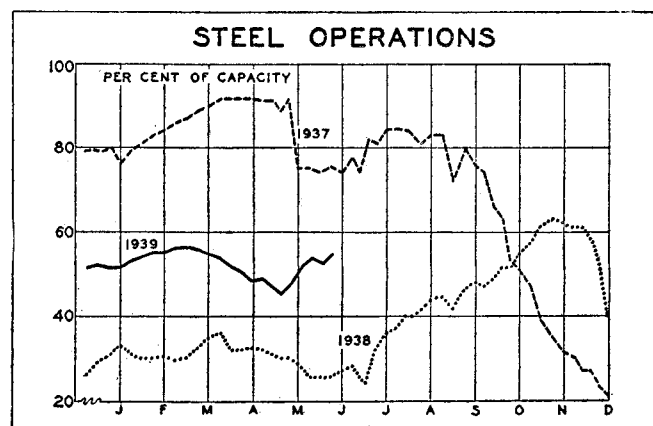
Retail trade in urban areas of the district apparently

followed usual seasonal trends during May, but in the first three weeks of June a less-than-seasonal decline was experienced at weekly reporting department stores. In mid-June, manufacturers of consumers' goods reported incoming orders in much larger volume than a year ago at that time, and production was being held at a steady rate.

The construction industry, after having made more than seasonal gains in the early part of the year, seems to have leveled off during the last three months. Residential construction in March, April, and May showed little change, and figures for the first half of June indicate about the same rate of activity. Because of a decline in public projects, total contracts awarded in May were somewhat less than the high April amount, but private work gained.

FINANCIAL

Federal Reserve Bank Credit Developments at the Federal reserve bank during May and the first three weeks of June continued to reflect ease in the money market. Reserve deposits of member banks reached another all-time high in the week ended June 14, and throughout the period there was very little borrowing from the reserve bank. In the week ended June 21, there was a slight reduction of reserve deposits as income tax and other payments transferred funds from banks to the Treasury. Although total money in circulation rose, increased use of silver certificates allowed Federal reserve notes issued by this bank to decline. On June 21 they reached the lowest point since last October. At \$412,000,000, they were only \$7,000,000 higher than they were a year previous.



Member Bank Credit Figures pertaining to member bank credit also revealed little change during May and the first three weeks of June. Commercial and industrial loans of weekly reporting member banks located in leading cities of the district remained in about the same volume as in April. The only types of loans which have displayed a consistent, though slow, tendency to increase since the first of the year have been those classified as "other loans" in published statements. A large part of these loans are personal loans or consumer credits originating in automobile purchases. Both city and country banks recently have been actively seeking this type of outlet for their funds.

For several months there has been little change in interest rates charged on new commercial and industrial loans by banks in the three largest cities of the district. A quarterly report, giving rates charged on all new commercial and industrial loans made by these banks in the first half of June, shows that rates ranged from one to seven percent, with only one bank reporting loans at the highest rate. The loans were somewhat more evenly distributed between the various rates than was true in the periods covered by reports in March and September.

In mid-June, country bankers stated that deposits were at a seasonal low point, but this was not true of the city institutions. On June 21, adjusted demand deposits at the weekly reporting member banks reached another all-time high. They totaled \$1,203,000,000 compared with \$1,030,000,000 on the corresponding date last year. Time deposits at these banks were at about the same level as a year earlier. Both city and country banks have been reducing interest rates on time deposits.

Long-term Loans An attempt was recently made to determine the extent to which banks in this district have made intermediate or long-term loans to business enterprises. Replies to a questionnaire sent to all weekly reporting member banks in the fourth district showed that on April 19, 1939, these forty-one banks had outstanding 2,008 loans to commercial or industrial enterprises which, at the time they were made, had maturities of one year or more. The unpaid balance of these loans was \$76,839,000. When originally made, they had totaled \$95,173,000. The following table shows that these loans constituted one-fourth of all commercial, industrial, and agricultural loans, and one-tenth of all real estate mortgages held by the weekly reporting banks in this district:

Selected Loans Outstanding
Weekly Reporting Member Banks—Fourth District
April 19, 1939

	Total Loans	Business Loans with Original Maturities of One Year or More	% of Total
Commercial, Industrial, and Agricultural Loans	\$238,000	\$60,724	25.5
All Real Estate Loans	169,000	16,115	9.5
TOTAL	\$407,000	\$76,839	18.9

The table should not be interpreted as an accurate statement of the total amount of intermediate or long-term credit these banks have made available to business. The reports covered only such loans as are represented by notes with maturities of one year or more. Several banks

stated they made loans on notes having maturities of six months or less, with the informal, but more or less definite understanding, that they would be renewed as long as the borrowers satisfied requirements such as paying interest promptly and making small payments on principal. Loans of this type were not included in the compilation. In most cases arrangements are so informal that it would be impossible for banks to determine expected repayment dates for these loans, although in some instances the amount loaned in this way was reported to be substantial.

Data received demonstrated, however, that these banks have made a rather large number of intermediate or long-term loans. As shown in the accompanying chart, three-fourths of the original dollar volume of loans reported in this survey was loaned for periods of three years or more. The longer-term loans were generally larger than those maturing in less than three years, for although making up three-fourths of the dollar volume, they accounted for only 30 percent of the number of loans. Another point brought out by the chart is that installment plan loans also seemed to be more popular than those with single maturities. Eighty-seven percent of the number and seventy-five percent of the original dollar volume were on the installment basis.

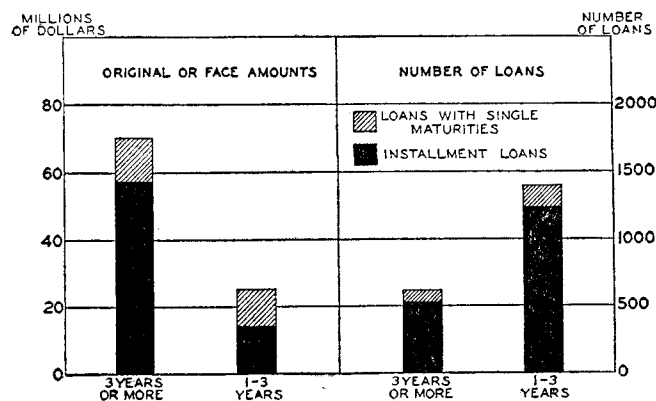
Ninety-two percent of the number of loans was for amounts of less than \$100,000, but they made up only 23 percent of the dollar volume. Fifteen loans averaging \$2,420,000 accounted for 38 percent of the total funds borrowed for terms of one year or more at these banks.

Only thirteen of the reporting banks stated that they knew of commercial or industrial enterprises which had requested, but were unable to obtain intermediate or long-term credit. Inefficient management, insufficient equity on the part of owners, or unfavorable prospects for the particular enterprise were given as principal reasons why such loans were not granted.

MANUFACTURING, MINING

Iron and Steel Weekly operating rates of the steel industry advanced quite sharply in the five weeks ended June 24 at a time when, in other years, a contraction usually occurred. In the industry, the advance in ingot production was attributed, in part, to replenishment of stocks of semi-finished steel which were reduced in May at the time of the coal strike, and also to an accumulation of additional semi-finished

INTERMEDIATE AND LONG-TERM BUSINESS LOANS
Fourth District Weekly Reporting Banks
April 19, 1939



steel in anticipation of possibly improved demand from the automobile industry as future releases are made against the large sheet and strip orders placed at reduced prices in May. According to reports, these have not been forthcoming recently in the volume anticipated a few weeks ago.

In the week ended June 24, the national rate was 54.5 percent of capacity, up nine points from the year's low point in the third week of May. A year ago, operations were at 27 percent, only slightly above that year's low point touched in early June, excluding weeks in which holidays affected the rate. In some steel centers of the fourth district, the recent rise in operations has been quite pronounced, while in others it has not been so great. At Pittsburgh, the rate of operations increased from 33 percent of capacity on May 20 to 47 percent in the week ended June 24. A year ago these mills were producing at 25 percent. Cleveland mills did not show much increase in the period being reviewed, but in the two latest weeks operated at a higher rate than the national average and more than double last year's rate. Youngstown mills stepped up output twelve points from the low level of early May to 54 percent of capacity, compared with around 30 percent in June 1938. Wheeling plants increased from 53 to 79 percent of capacity in the five latest weeks as tin plate production expanded, while the southwestern Ohio rate fluctuated between 52 and 73 percent. In the latest week for which data are available, that district's rate was 60 percent.

Production of heavy steel and structural requirements are responsible to a considerable extent for maintenance of the current rate of operations. Railroads are not increasing their purchases of steel or equipment, total freight cars placed in May being 2,051, compared with 3,095 in April. Cars ordered in the five months this year numbered 8,208, compared with 6,843 in the corresponding period of 1938. Little inquiry for rolling stock is in the market.

Strikes which interrupted automotive production have delayed steel deliveries to some degree and have tended to slow finishing mill operations, though this has not been a major factor. Automotive demand has receded as the 1939 model season nears its close. Some parts makers have ordered steel for 1940 models, but volume releases on sheets and strip have not appeared.

Prices have been fairly steady, slight concessions continuing from published rates, but these have tended to disappear and the market has been stabilized to a large extent. Effect of the price break in May is expected to be reflected in second-quarter earnings, though some of the low-priced tonnage undoubtedly will go over into third quarter.

Steelmaking scrap continues to show strength and signs of scarcity are apparent. Composite price, as compiled by *Steel*, rose from \$14 per ton at the end of May to \$14.62 in the third week of June.

Steel ingot production in May dropped to 2,917,876 gross tons, from 2,986,985 tons in April. Total ingot output for five months this year is 15,499,546 tons, compared with 9,155,740 tons in the same period last year. May pig iron production, at 1,716,544 gross tons, was 19.2 percent lower than in April when 2,055,326 tons were produced.

Lake Superior iron ore shipments in May, 3,601,453 tons, were 2,420,750 tons, or 205 percent, in excess of the

same month last year. Shipments to June 1 totaled 3,658,251 tons, an increase of 154 percent over 1,441,217 tons moved to the same date in 1938. The season has opened slowly, but at a much better level than last year. May shipments were in excess of ore consumption by furnaces, although the increase in lower lake stocks was only moderate. On June 1, ore on hand at lower lake ports and furnaces totaled 23,071,214 tons, a drop of more than 10,000,000 tons from a year ago at that time.

Coal Resumption of coal mining operations in mid-May, following settlement of union-operator differences, was at a rate approximately 20 percent below the level prevailing prior to the shut-down. For the year to mid-June, however, bituminous coal production for the entire country was five percent in excess of the corresponding period of 1938, but in the fourth district there was a decline of five percent for the first five months of the year. This difference is partly accounted for by the fact that the period when mines were closed was longer in this district than in some other parts of the country, and the open mines operated at a high rate before they were shut down.

Effects of the general suspension of mining were evident in coal stock figures. On April 1 commercial consumers of the country had 40,505,000 tons. This did not include large quantities in transit, unbilled coal at mines, and on lake docks. On June 1 consumers' inventories were 25,280,000 tons, having risen an unknown amount from mid-May, which was the lowest level in many years. Despite the increase, stocks were 25 percent smaller on June 1 than a year ago, and the smallest quantity above ground since the summer of 1933.

Coal dealers in this district report that recent sales for replenishing stocks have been in limited volume, even though prices have receded from the level of early May. Shipments to lake ports have increased recently, but loadings into boats prior to June 1 were approximately half what they were last year at that time.

Automobiles Fluctuations in automobile production in May and June were largely due to the effect of strikes rather than changes in the general situation. Domestic output of passenger cars and trucks totaled 297,508 units in May. The contraction from April was somewhat more than seasonal, the Board's index dropping 14 points to 73 percent of the 1923-25 average. Early in the month, assemblies were reduced by approximately 20 percent from the rate of late April in an effort to bring finished car stocks down to more conservative levels. Late in May a body plant strike caused assemblies, largely of one maker, to be reduced sharply. Resumption of operations in June caused output to rise to above the level of early May, and in the week ended June 24, 81,070 cars were produced, the largest weekly output in two months, and it compared with 40,918 in the comparable period of 1938.

May total production, despite the strike, was 55 percent in excess of last year. Passenger car output was up 53.5 percent, while trucks gained over 60 percent compared with May 1938. This was substantially greater than the 36.5 percent cumulative gain in truck output in the first five months over last year. Passenger car production in

the five-month period was 66 percent above the low level of early 1938.

Automobile inventories were reduced in May, according to preliminary reports, largely as a result of a contraction in assemblies, for daily average sales in May were reported to be little changed from April. Allowing for seasonal variations, the *Department of Commerce* index was lower in May than in either April or March. At the end of May dealers' stocks were estimated to be less than six weeks' supply, compared with sufficient cars for nearly seven weeks at the end of April and slightly more than that a year ago. In the first ten days of June sales were reported to have held up quite well. In Cuyahoga County, in the three weeks ended June 23, new passenger car sales were down from the comparable period of May, but there was a gain of 96 percent over the low level of last year at that time. The May increase in leading counties of this district was over 100 percent. In the entire country, May car sales were 40.5 percent in excess of May 1938.

In the first five months of 1939 auto production totaled 1,643,813 cars and trucks. This was a gain of close to 60 percent over the comparable period of 1938 when operations were at reduced levels. A short time ago it was reported that new models would be available somewhat earlier than in other recent years, thus moving forward the change-over period, but because of recent developments this aspect of the automobile situation is not clear at present. The low point may come later than was expected. Manufacturers of auto parts were curtailing operations and shipments in June, though both remained well above last year. Inventories are slightly larger than a year ago, at which time, however, plants were operating at about half this year's rate. Many orders and specifications for 1940 models have been received, but releases have been held up longer than was anticipated a few weeks ago.

Rubber, Tires

Crude rubber consumption in May was 44,377 tons, a decline of three percent from the April daily average. Total tire production, however, increased 200,000 units to 4,418,000 casings. Continued strength in the replacement market prevented contraction, and in mid-June operating rates indicated some increase over May. On this basis, crude rubber consumption during the first six months of the year was over 50 percent higher than in the first half of 1938. Crude rubber imports during May exceeded consumption for the first time in more than a year.

According to manufacturers' reports, sales of tires in the replacement market have continued in heavy volume, with May and June making seasonal advances over earlier months in the year. Since gains made in these earlier months were more than seasonal, replacement tire sales in May and early June were said to have been larger than in either 1938 or 1937. There have been some price reductions in the retail field, and some large manufacturers have reclassified dealers so that smaller independents will be in a better competitive position. Presumably temporary price cuts were stimulating replacement tire sales late in June.

Tire inventories were reduced slightly during the month, and stocks remained below the 1934 to 1936 average for

that time of the year. Since the industry regards this average as normal, no more than a seasonal liquidation of stocks is planned. Some producers have adopted a slightly more optimistic policy toward forward purchases than was the case a few months ago.

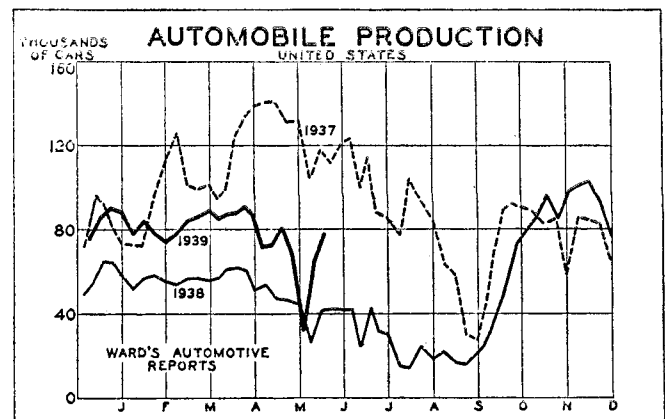
Textiles and Clothing

The textile and clothing industry continued to report a large volume of business in relation to 1938. Sales of men's clothing at fourth district department stores during May were 27.5 percent higher than in May last year, and dress sales were up 17 percent. On the other hand, stocks of men's clothing at these stores were down 18 percent, and women's wear inventories were four percent below last year. As a result of this situation, manufacturers reported that a shortage of some summer goods had developed and that orders for fall lines had been received in much better volume than was the case a year ago. In mid-June, most local clothing and textile companies reported capacity operations, and orders already received indicated that fall shipments might exceed the quantity sold in 1937. In spite of this heavy volume of operations, material prices showed only a moderate tendency to increase.

Other Manufacturing

Business sentiment seems to have improved in most of the smaller manufacturing plants in this district, as orders have been received in slightly better volume than was the case earlier in the year. Employment and production, however, have not yet been increased to any marked extent. Producers have continued to liquidate inventories of both finished goods and raw materials. By mid-June, it was reported that stocks had been reduced to satisfactory levels, but practically no increase in forward buying was apparent.

Conditions in the machine tool industry remained most favorable. New orders received by the entire industry in May were over 40 percent larger than in April and more than three times larger than in May 1938. The index of new orders compiled by the *National Machine Tool Builders Association* rose 64 points during the month to 220 percent of the 1926 average. Only twice since 1920 has the May level been exceeded. In December 1936, the index rose to 258 percent of the base period, and in April 1937 to 283 percent. These high points were reached when price increases were imminent, but at the present time



there is little indication of price changes for either finished machines or raw materials.

Although the volume of orders received from foreign countries is no longer shown separately, reports from individual producers indicated that most of the recent increase was due to foreign buying. Domestic business, however, has improved, and the Association stated that orders received from domestic sources during the first five months of the year were 43 percent above the total for the last five months of 1938. Domestic machine tool buying in May was well diversified, according to reports from manufacturers, but Government activity made up a large portion of the total. In mid-June, incoming business from domestic sources was said to be slightly better than in May.

The foundry equipment industry apparently did not share in this improved demand for machinery, for a falling-off of incoming business during May was reported. New orders received in March and April were 146 percent of average monthly shipments during the period from 1922 to 1924, but in May they fell to 109 percent of shipments during this base period. Shipments during May were in heavier volume than in any other month since the end of 1937, and unfilled orders on hand at the end of the month showed the first decline since last November.

Makers of heavy electrical equipment also reported increased sales during May, and a continuation of the upward trend in the first half of June. Production and employment, however, had not increased by mid-June and inventories of both manufactured goods and raw materials were still being reduced as purchasing policies remained on a hand-to-mouth basis. The increase in new business was attributed in part to plant extensions and improvements.

Plate glass production held at about the same daily rate in May as in April. In mid-June a slight increase in automobile purchases was said to have occurred as automobile assemblies were at a better-than-expected rate. Late in the month a decline in demand from this source was reported as automobile producers prepared for change-over to new models. Orders from other sources held at about the level prevailing since the beginning of the year.

Window glass production in May declined slightly, but comparison with last year shows that this industry has benefited materially from increased building activity. Orders received during May were reported to be 70 percent in excess of those received last year, shipments 55 percent greater, and production over 100 percent larger. Stocks

on hand at the end of the month were one-third less than they were a year previous.

Paint producers have also benefited from increased building, and in some cases report the best May sales in several years. A decline in new business was said to have occurred in early June. There have been a few increases in wage rates in the industry and prices of some raw materials have risen recently.

The box and paperboard industry was at seasonally low levels in May and early June, but prices were said to have held unusually well in the face of slackened demand. Local producers of fine paper have been maintaining operations at a steady rate of about 90 percent of capacity, but in mid-June inventories were still being reduced by both manufacturers and distributors.

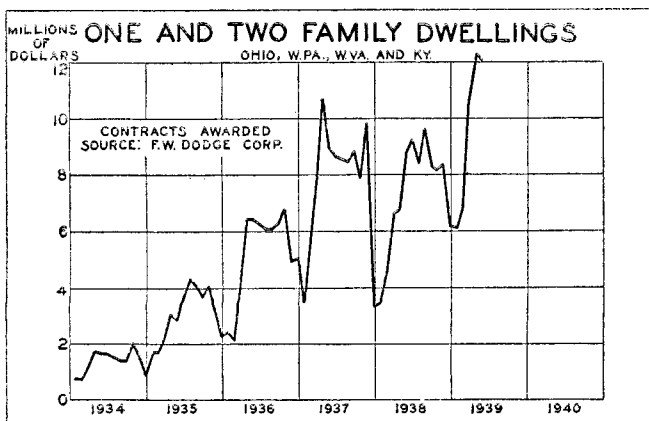
Many durable consumers' lines also experienced seasonal declines in orders, production, and shipments in May and early June. This is true of most china and pottery makers, but certain plants which make special wares were running close to capacity. Electrical appliance sales have slowed down somewhat, but they still show favorable comparisons with last year. During the first five months of the year, manufacturers' sales of household washers exceeded 1938 shipments by 32 percent, and vacuum cleaner producers reported a gain of two percent.

Although production of shoes in fourth district factories suffered a somewhat more than seasonal decline in May, the local shoe industry continued to make favorable reports. Shoe production in this district during May was 26 percent higher than in the same month last year, and for the first five months of the year the relative gain was twelve percent. In mid-June, manufacturers carrying stock departments reported a heavy volume of fill-in orders. Orders for fall delivery were said to be substantially above those received last year, as retailers were purchasing more freely than they had for several seasons.

CONSTRUCTION

Contracts awarded for new residential construction in the Fourth District in May were valued at slightly more than in April and in comparison with a year ago an increase of 41 percent was apparent. Little variation in the relatively high rate of activity in the residential field has been evident since March, contracts awarded in the three latest months averaging just under \$11,700,000 per month. In the first half of June, figures for this district compiled by the *F. W. Dodge Corporation* indicated little change from the May rate and a gain of 60 percent over the first half of June 1938. Total contracts awarded were at a higher rate in the first two weeks of June than in May and also were more than 60 percent ahead of last year. In this district, May contracts awarded were the largest since 1930, with the exception of August 1938 when a large publicly-financed residential project appeared in the figures.

In the first five months of this year, total residential contracts awarded were 66 percent larger than in the comparable period of 1938 and were close to the figure for 1930. Considerable variation exists in different sections of the district. In northern Ohio, residential construction started was more than double what it was a year ago. In western Pennsylvania, southern Ohio, and Kentucky the increases were approximately 45 percent. As shown by



the accompanying chart, the gain in construction of one- and two-family dwellings so far this year has been quite marked. Practically all of the work in this field has been privately-financed. In May, publicly-financed residential construction amounted to five percent of the total; in February, March, and April it amounted to eight percent, while in January, 22 percent of total residential contracts awarded were publicly-financed. An important factor contributing to the increase in privately-financed home construction is the lower financing costs now available through the F.H.A. In this connection, some local banks have recently reduced the rate on F.H.A. loans to 4½ percent.

Contracts awarded for other than residential work in May were down 27 percent from April, but were 54 percent above May 1938. Total contracts awarded in this district for the first five months of the year were valued at slightly more than \$50,000,000, or an increase of 50 percent over the same period of 1938. The accompanying tabulation shows the percentage change in principal classes of construction in the three territories of this district covered by the *Dodge* reports for the first five months of 1939 as compared with the same period of 1938:

	Pittsburgh Territory	Cleveland Territory	Cincinnati Territory
Residential Building	+46%	+101%	+44%
Non-Residential Building . . .	-46%	+ 66%	-12%
Public Works & Utilities	+68%	-203%	+17%
Total Construction	+ 8%	+114%	+17%

Of the total awards in May, 59 percent were privately-financed. This is the best ratio of any month in the past year. In April 43 percent of total contracts awarded were privately-financed. The drop in building in May from April was entirely in the publicly-financed field, private awards being slightly larger in May than in the preceding month.

Contemplated construction reported in May for western Pennsylvania was larger than in any of the three preceding months, but in Ohio, May figures were down generally, both in comparison with earlier months of the year and also with May 1938.

Lumber and building supply dealers in this territory reported a rather sharp increase in shipments as compared with April and, in contrast with last year at that time, they have almost doubled. Slight tendency to reduce prices by increasing the cash discount also was reported. This was particularly true on materials such as brick, tile, cement, and sand. Lumber material prices have shown little change recently.

TRADE

Retail Retail trade in the fourth district seems to have followed customary trends during May. Sales at department stores, after making allowance for a greater number of days and for seasonal factors, were the same as in April, and the adjusted index remained at 84 percent of the 1923-25 average. However, sales of weekly reporting stores indicated that somewhat less than seasonal declines had been experienced during the first three weeks in June.

Since May of last year was the low point in the 1937-38 recession in retail trade in this district, comparisons with a year ago show marked improvement. Department store sales during May were 18 percent larger than a year ago, wearing apparel shops sold 15 percent more goods than in May of 1938, retail furniture dealers reported a 36 percent increase, and chain grocery stores averaged five

percent more sales per unit operated than they did a year ago. These comparisons are distorted to some extent by the fact that there was one more working day this year than last, but this does not account for all of the gains.

Department stores reported increases over last year in nearly all departments. Only china, furs, and women's coats and suits showed declines, and these departments are relatively unimportant at this time of the year. Sales of electrical appliances and household furnishings were almost one-third better than last year, and nearly all types of clothing showed gains of from 20 to 25 percent.

Collections on both installment and charge accounts have been quite good recently. In relation to accounts outstanding at the beginning of the month, collections on installment accounts so far this year have been the best in ten years. Collections on charge accounts have been better than last year, but not as good as 1937. At the end of May, all accounts receivable were one percent below those on hand a year earlier, whereas collections during May were four percent larger than they were in May of last year.

Wholesale

Wholesale trade in the fourth district improved during May. All firms reporting to the *Department of Commerce* sold fourteen percent more goods in May than in April, and nine percent more than in May of last year. Large gains were made by dealers in building supplies and clothing. Seasonal factors accounted for many of the increases over April, but comparisons with last year showed marked improvement in most cases.

In nearly all lines inventories were reduced in May. Total stocks of all reporting firms declined almost three percent, and at the end of the month were 4.5 percent below those on hand on the same date last year. This was the smallest percentage decline from a year previous for several months, for early in 1938 stocks were being reduced rapidly. The largest reduction in inventories during May was reported by sellers of paints and varnishes, whose sales had expanded seasonally. In comparison with last year, their stocks were down 28 percent.

Collections improved during May, and as a result, accounts receivable declined. At the month end they were 2.4 percent under those of a year previous although sales were on a considerably higher level.

AGRICULTURE

So far this year crop development in the district has been adversely affected by weather conditions. A wet, cold, April held back the preparation of seed beds, while an extremely dry May prevented germination and growth of young plants. In June, too much rain fell, and weeds got a good start. On the other hand, pastures and hay, which were suffering from drought at the end of May, were much improved by the end of June, and tobacco was making good progress. Fruit prospects were quite promising.

Grains Winter wheat in this district apparently was not seriously affected by the dry weather in May, and the Government crop report as of June 1 was unchanged from its earlier estimate of a 1939 harvest which would be slightly larger than average, but 22 percent below last year. Conditions were favorable to continued growth in June, and harvesting was started toward the end of the month. Oats, on the other hand, were seriously damaged

by late planting and dry weather during the germinating period. As a result, the condition of the crop on June 1 was far below that of the same date last year, and was also below the ten-year average. Some improvement was noted in June, but most fields were heading on short straw. Corn growth was also delayed by drought in May, but the rains in early June brought rapid development. Stands were said to be excellent in mid-June.

Pastures and Hay Pastures and hay were very short in May, but in June they improved rapidly. Because of short pastures, milk production was said to have declined earlier than usual. Milk prices are low and farmers have not been feeding heavily. Clovers and timothy suffered more from the adverse weather in May than did alfalfa, according to reports. In mid-June alfalfa and early clovers were being cut. A few farmers have filled their silos with green hay, having reduced their corn acreage in order to qualify for soil conservation payments.

Tobacco Tobacco planting had been finished by mid-June, and the plants, though small, were said to be growing well. Stands were excellent. It is still too early to get an accurate estimate of acreage, but reports indicate that there was a slight increase over last year.

Fruits Fruit prospects in general are quite promising, though frosts hurt peaches and cherries in some sections. On June 1, indicated production of all fruits was far above average, as well as being in excess of the very poor crop

of last year. Apples were in better condition than in any other recent year with the exception of 1937. Grapes were about two weeks late, but were said to be satisfactory. Vines were well budded and injury slight.

Fourth District Business Indexes

(1923-25 = 100)

	May 1939	May 1938	May 1937	May 1936	May 1935
Bank debits (24 cities)	77	72	93	81	72
Commercial Failures (Number)	52	54	36	56	63
(Liabilities)	14	38	20	33	44
Sales—Life Insurance (O. and Pa.)	78	69	95	91	90
—Department Stores (48 firms)	89	79	105	93	75
—Wholesale Drugs (4 firms)	92	87	95	92	86
—Dry Goods (6 firms)	45	38	53	54	45
—Groceries (61 firms)	66	64	75	68	69
—Hardware (8 firms)	73	69	97	89	71
—All (79 firms)	66	62	77	72	67
—Chain Drugs (4 firms)**	1	90	101	89	78
Building Contracts (Total)	65	44	55	46	20
(Residential)	68	48	55	41	17
Production—Coal (O., W. Pa., E. Ky.)	1	45	73	67	65
—Cement (O., W. Pa., E. Ky.)	1	72	92	87	65
—Elec. Power (O., Pa., Ky.)*	182	169	196	169	147
—Petroleum (O., Pa., Ky.)*	113	119	126	119	118
—Shoes	101	80	113	94	101

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

Debits to Individual Accounts

(Thousands of Dollars)

	5 Weeks ended June 21, 1939	% change from 1938	Year to Date to June 21, 1939	Year to Date to Dec. 30, 1938	% change from 1938
Akron	74,913	+20.9	367,011	325,443	+12.8
Butler	9,688	+7.2	49,511	49,092	+0.9
Canton	39,281	+22.6	191,229	170,736	+12.0
Cincinnati	357,144	+8.7	1,783,432	1,749,212	+2.0
Cleveland	596,159	+2.5	3,007,349	2,837,890	+6.0
Columbus	198,120	+9.8	955,401	940,578	+1.6
Dayton	68,716	+0.2	358,956	352,987	+1.7
Erie	29,160	+9.7	147,172	143,001	+2.9
Franklin	3,473	+0.03	15,276	16,519	-7.5
Greensburg	7,117	+2.3	36,635	37,664	-2.7
Hamilton	12,440	+9.1	60,888	59,036	+3.1
Homestead	3,908	+17.6	17,218	16,475	+4.5
Lexington	22,679	+7.4	141,800	143,188	-1.0
Lima	14,513	-1.6	72,733	80,240	-9.4
Lorain	6,075	+24.9	27,330	25,928	+5.4
Middletown	11,901	+25.0	57,349	49,045	+16.9
Oil City	11,258	+10.9	54,036	55,694	-3.0
Pittsburgh	675,766	+2.2	3,412,521	3,447,592	-1.0
Sharon	8,717	+13.5	44,423	41,221	+7.8
Springfield	19,564	+10.5	96,836	94,987	+1.9
Steubenville	10,059	+8.7	50,746	47,410	+7.0
Toledo	132,345	+9.7	652,035	614,774	+6.1
Warren	11,154	+20.5	53,217	45,844	+16.1
Wheeling	31,005	+2.8	167,736	155,295	+8.0
Youngstown	48,287	+15.8	241,016	218,451	+10.3
Zanesville	9,202	+4.8	45,497	42,044	+8.2
Total	\$2,412,644	+5.8	\$12,107,353	\$11,760,346	+3.0

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	May 1939	% change from 1938	Jan.-May 1939	% change from 1938
Bank Debits—24 cities	\$2,077,000	+6.3	\$10,147,000	+2.2
Savings Deposits—end of month:				
40 banks, O. and W. Pa.	\$ 779,777	+0.3	1	
Life Insurance Sales:				
Ohio and Pa.	\$ 75,521	+13.9	409,128	+16.8
Retail Sales:				
Dept. Stores—54 firms	\$ 22,566	+18.0	99,230	+5.2
Wearing Apparel—13 firms	\$ 880	+14.7	4,139	+4.4
Furniture—40 firms	\$ 1,112	+35.6	3,850	+17.6
Building Contracts—Total	\$ 31,043	+48.6	146,321	+49.8
—Residential	\$ 11,771	+41.3	50,435	+66.0
Commercial Failures—Liabilities	\$ 607	-63.4	6,596	-38.5
—Number	76 ²	-3.8	396 ³	-11.0
Production:				
Pig Iron—U. S.	tons 1,717	+36.8	10,416	+51.6
Steel Ingot—U. S.	tons 2,918	+62.0	15,412	+68.3
Auto—Passenger Car—U. S.	237,870 ²	+53.5	1,330,995 ²	+66.4
Auto—Trucks—U. S.	59,638 ²	+60.7	312,808 ²	+36.5
Bituminous Coal, O., W. Pa., E. Ky.	tons 6,024	-26.6	44,756	-4.6
Cement—O., W. Pa., W. Va.	bbls. 821 ³	+23.1	1,911 ⁴	+22.3
Elec. Power, O., Pa., Ky. Thous. k.w.h.	1,526 ³	+7.8	6,501 ⁴	+33.4
Petroleum—O., Pa., Ky.	bbls. 2,079 ³	+5.6	8,211 ⁴	+8.5
Shoes	5	+26.1	5	+11.7
Tires, U. S.	casings 4,418	+6.59	22,334	+73.7
Bituminous Coal Shipments:				
L. E. Ports	tons 1,337	-62.6	2,731	-51.5

1 not available
2 actual number
3 April
4 Jan.-April
5 confidential

Wholesale and Retail Trade

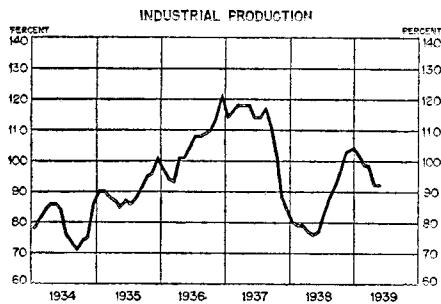
(1939 compared with 1938)

	Percentage Increase or Decrease		
	SALES May 1939	SALES first 5 months 1939	STOCKS May 1939
DEPARTMENT STORES (54)			
Akron	+29.1	+15.9	-2.7
Cincinnati	+14.8	+3.5	-8.3
Cleveland	+17.3	+3.9	-5.7
Columbus	+19.3	+7.1	+2.3
Dayton	+45.6	+24.8	-0.08
Pittsburgh	+13.7	+1.7	-9.6
Toledo	+19.7	+7.3	-5.0
Wheeling	+12.1	-0.6	-15.7
Other Cities	+21.6	+7.3	-3.5
District	+18.0	+5.2	-6.5
WEARING APPAREL (13)			
Cincinnati	+10.8	-6.3	-0.4
Cleveland	+15.7	+8.6	+0.6
Pittsburgh	+6.3	+0.4	-7.4
District	+14.7	+4.4	-2.6
FURNITURE (40)			
Cincinnati	+35.8	+3.3	
Cleveland	+39.8	+24.5	
Columbus	+32.8	+14.9	
Dayton	+27.5	+7.0	
Toledo	+14.2	-3.5	
Other Cities	+39.3	+25.0	
District	+35.6	+17.6	
CHAIN STORES*			
Groceries—District (4)	+5.4	+3.3	
WHOLESALE TRADE**			
Automotive Supplies (9)	-0.6	+7.5	-13.6
Clothing and Furnishings (4)	+22.7	1	1
Coal (4)	-13.4	1	1
Drugs and Drug Sundries (4)	+6.2	+7.1	1
Dry Goods (6)	+18.2	+9.8	-9.1
Electrical Goods (9)	-3.8	-0.7	-12.2
Farm Products (Consumer Goods) (7)	+11.1	1	-4.3
Groceries & Foods (exc. Farm Products) (61)	+3.6	-2.1	-1.2
Total Hardware Group (30)	+8.6	+4.4	-1.2
General Hardware (8)	+5.7	-0.3	-1.5
Industrial Supplies (10)	+17.4	+11.5	-6.4
Plumbing & Heating Supplies & Equip. (12)	+13.8	+10.0	+12.7
Jewelry & Optical Goods (5)	+10.3	-3.5	-5.7
Lumber and Building Materials (5)	+36.5	+11.4	1
Machinery, Equip. & Sup. (exc. Elect.) (4)	+48.9	-1.6	1
Malt Beverages (7)	+17.5	1	+6.7
Meats and Meat Products (5)	+1.7	1	+4.5
Metals (4)	+67.7	+52.3	-1.4
Paints and Varnishes (6)	+14.7	1	-27.7
Paper and its Products (8)	+21.4	+9.8	-6.4
Tobacco and its Products (15)	+4.4	-2.9	-37.9
Miscellaneous (14)	+27.8	+18.9	-3.6
District—All Lines (207)	+8.5	+4.4	-4.5

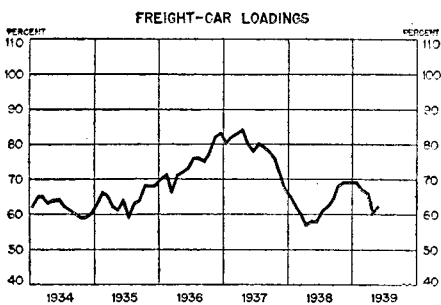
* Per individual unit operated.
** Wholesale data compiled by U. S. Department of Commerce.
1 Not available.

Summary of National Business Conditions

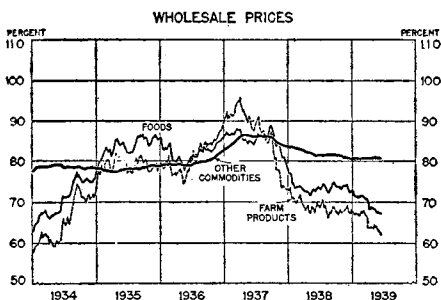
By the Board of Governors of the Federal Reserve System



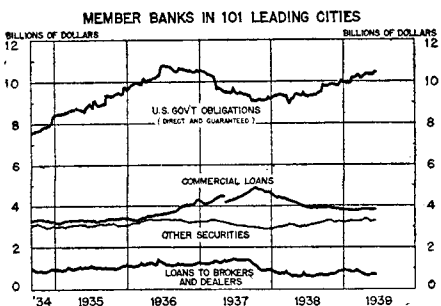
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to May 1939. Latest figure—92.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to May 1939. Latest figure—62.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending June 17. Latest figures farm products 62.0, foods 67.1, other 80.6.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to June 14, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "other loans" as then reported.

Industrial production, which has been receding on a seasonally adjusted basis during the first four months of this year, showed little change in May and increased considerably in the first three weeks of June. The advance reflected principally larger output of steel and coal, which had previously shown considerable declines.

Production

In May the Board's seasonally adjusted index of industrial production was at 92 per cent of the 1923-1925 average, the same as in April. Volume of manufacturing production declined somewhat further, owing chiefly to reductions in output of steel and automobiles, but mineral production increased as most bituminous coal mines were reopened after the middle of the month.

Steel ingot production, which had been at an average rate of 52 per cent of capacity in April, declined to 45 per cent in the third week of May. About this time prices of some types of steel were reduced considerably and orders were placed in substantial volume. Subsequently steel output increased and the current rate is about 55 per cent of capacity, approximately the level maintained during the first quarter of this year.

In the automobile industry output was reduced by about one fifth at the beginning of May, and in the latter part of the month there was further curtailment partly as a result of a strike at a body plant which led to the closing of most assembly lines of one major producer. In the early part of June the strike was settled and by the middle of the month output had risen to a level higher than that prevailing during most of May. Lumber production increased further in May following less than the usual seasonal rise during the first quarter of this year.

Output of nondurable manufactures in the aggregate was at about the same rate in May as in April. At woolen mills activity increased sharply, following a decline in April, and at cotton and rayon mills output was maintained. Mill consumption of raw silk showed a further sharp decline. At meat-packing establishments output increased more than seasonally, and as in March and April was considerably larger than a year ago, reflecting a sharp increase in the number of hogs slaughtered. Flour production continued in larger volume than is usual at this season, while at sugar refineries there was a decrease in output.

Mineral production increased in May owing chiefly to the reopening of most bituminous coal mines. Anthracite production, which had been in large volume in April, declined in May, while output of crude petroleum increased somewhat further.

Value of residential building contracts, which had shown a considerable decline in April, increased in May, according to figures of the F. W. Dodge Corporation. Public residential awards were higher owing to a greater volume of United States Housing Authority projects; private awards also increased but on a seasonally adjusted basis were below the high level reached in February and March. Contracts for both public and private nonresidential construction declined in May, following increases in the preceding two months.

Employment

Factory employment and pay rolls showed little change from the middle of April to the middle of May, according to reports for a number of States.

Distribution

Department store sales declined from April to May, while sales at variety stores and by mail order houses showed little change. In the first two weeks of June department store sales increased.

Freight-car loadings increased in the latter half of May, reflecting chiefly expansion in coal shipments. In the first half of June loadings of coal increased further and shipments of other classes of freight also were in larger volume.

Commodity Prices

Prices of industrial materials, such as steel scrap, hides, wool, and print cloths, advanced somewhat from the middle of May to the third week of June. Wheat, silk, and coal prices declined early in June, following increases in May, and there were further declines in prices of livestock and meats.

Bank Credit

During the four weeks ending June 14 total loans and investments at member banks in 101 leading cities increased by \$270,000,000, following a decline of \$200,000,000 in the preceding four weeks. The major increase was in holdings of Treasury notes and bonds at New York City banks. Demand deposits increased sharply to new high levels both in New York and in the leading cities outside New York.

During the first three weeks of June excess reserves of member banks showed little change from the new high level of \$4,300,000,000 reached on May 24.