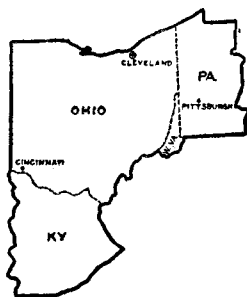


MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 7

The slight improvement in business sentiment which was noted late in May gathered momentum in June and the first three weeks of July. Operating rates in most fourth district industries have increased, and now approach or exceed the levels of last January. A spirit of caution still prevails, however, and except in a few cases, raw materials and supplies are being purchased only as needed. Employment figures now available for June, which in most cases relate to the middle of the month, show slight gains in the number of men working, but larger increases in employee-hours and payrolls. Ohio industrial employment increased 1½ percent in June over May, but payrolls rose nearly five percent.

Steel, machine tools, and consumers' goods lines continued to lead the way. After a let-down in the first week of July as a result of the Independence Day holiday and vacations, steel operations rose to the highest rate since last November. Well-maintained demand for steel from a large number of miscellaneous consumers was said to be responsible for the increase, though there may be some stocking of semi-finished material in anticipation of heavy deliveries to the automobile industry later in the summer. At the present time, these shipments are at a minimum because of completion of runs on most 1939 models, while releases on steel for the new cars have not yet reached substantial volume. Machine tool buying remained at a high level during June, with some increase from domestic sources.

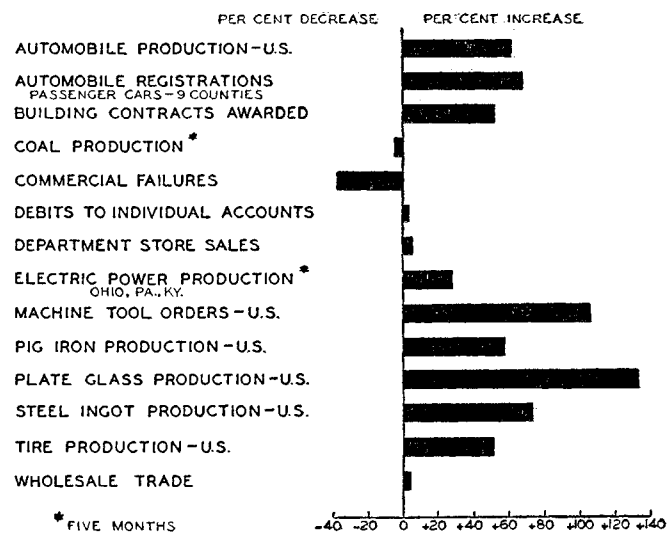
June was a very quiet month in the coal trade, but improvement in steel resulted in some pick-up in the demand for industrial grades during July. Shipping by way of the lakes was quite active, and in mid-July the number of boats in the coal and ore trade rose to more than 68 percent of the number available. This compares with 40 percent on the same date last year. Further expansion was indicated late in July with the outfitting of several more ships.

Producers of consumers' goods were generally quite active during June and early July. Clothing manufacturers were operating at, or close to, capacity in order to provide for early shipment of fall lines, and payrolls at Ohio men's clothing plants increased six percent in June over May. Orders for fall delivery were said to be well above last year and in some cases approached 1937. Shoe factories reported similar conditions, with a gain in June payrolls of 15 percent. Sales of tires in the replacement market were larger in June than in any month since 1933, and rubber companies continued to operate about 50 percent ahead of last year. Other retail sales, as evidenced by department stores, decreased a little less than seasonally in June.

Comparisons of the first half of the year with 1938 show marked improvement in nearly all cases. Employment in Ohio has remained between 87 and 89 percent of the 1926 average during the first six months this year, whereas a year ago this index was falling steadily from 87 for January to 80 for June and 79 for July. The accompanying chart shows the extent to which certain business indicators demonstrate improvement in this district, but it should be kept in mind that the large percentage increases are a reflection of extremely low production last year rather than unusually high current output. The decline in coal production shown on the chart is due to the fact that June figures were not available and the six weeks shut-down during April and May canceled earlier gains.

The relatively high volume of industrial and commercial activity prevailing since last autumn has resulted in reducing the number of firms entering bankruptcy. In June there were only 63 commercial failures reported in the fourth district, and total liabilities of all firms failing during the first six months of the year were lower than in any other period since 1924, when data were first compiled on a district basis. They were 37 percent below last year and six percent under 1937.

FOURTH DISTRICT BUSINESS INDICATORS
First Half of 1939 Compared with Same Period of 1938
(Fourth District Unless Otherwise Specified)



FINANCIAL

The mid-year condition report of all member banks in the district shows that there was a slight increase in loans made by both city and country member banks during the second quarter. In comparison with a year ago, country banks had a larger volume of loans outstanding on June 30, a condition not reflected by the reserve city banks figures shown in the accompanying table.

Country banks also held fewer Government bonds at the end of the second quarter than on March 31, whereas reserve city banks held more of these securities on the June 30 date than three months earlier and they were 12.6 percent larger than a year ago. Country banks reported a gain of 2.7 percent in holdings of Government securities in the year.

Investments in other than Government securities at reserve city banks increased relatively more in the year ended June 30 than at country banks which actually reduced their investments in this class in the second quarter of the year.

LOANS AND INVESTMENTS
Fourth District Member Banks
(Millions of Dollars)

	Country Banks			Reserve City Banks		
	June 30, '39*	March 31, '39	June 30, '38	June 30, '39*	March 31, '39	June 30, '38
Total Loans & Investments	1,018	1,016	989	1,801	1,761	1,685
Loans & Discounts	440	431	422	625	615	645
Investments:						
U. S. Govt. & Guaranteed	297	303	290	901	882	800
All Other	281	282	277	275	264	240
Municipal Bonds	100	94	†	82	76	†
Corp. Stocks	170	177	†	149	144	†
Other Bds. & Notes	11	11	†	44	44	†
Number of Banks	585	588	588	34	34	34

†Not available.

*Subject to revision.

Weekly Reporting Banks There was a slight increase in loan activity at banks in leading cities of the fourth district in the four weeks ended July 19 with gains in both commercial as well as other loans. The total expansion, one percent or \$6,000,000, extended the moderate increase which has been evident since February, but despite the generally higher level of business in comparison with last year, total loans, at \$666,000,000, were still exceeded by the volume reported a year ago when the trend was downward. Although commercial loans showed little net change in June, there was an increase in the first half of July, but on the latest date such loans were still under the recent peak of May.

Despite the increased activity in F.H.A. real estate financing in the first half of 1939, total real estate loans made by reporting member banks in this district have shown no change. New loans have been made only in volume equal to payments on loans previously made and total real estate loans outstanding are smaller than a year ago. The greatest increase in loan account so far this year has been in "other loans". They are nearly 25 percent larger than at this time in 1938.

Contrary to the trend shown by all reporting member banks of the country, such banks in this district reduced their holdings of Government securities in the four weeks ended July 19, but increased holdings of Government-guaranteed obligations partly offset the contraction. Investments in other securities rose nominally and were somewhat larger than a year ago. Although there was little change

in total loans and investments of these banks, on the latest date they were at the highest level of the year and were \$122,000,000, or seven percent larger than at that time in 1938.

Adjusted demand deposits, on the other hand, continued their upward movement, rising \$19,000,000 in the four latest weeks to a new high total of \$1,222,000,000 which was \$172,000,000, or 16 percent larger than at this time last year. Time deposits were reduced slightly during the same period and were at the level reported at the beginning of the year.

Check transactions at banks in twenty-four cities of the district in the last week in June and the first three weeks in July were ten percent larger than a year ago, while the gain for the year to date was four percent.

Federal Reserve Bank Credit

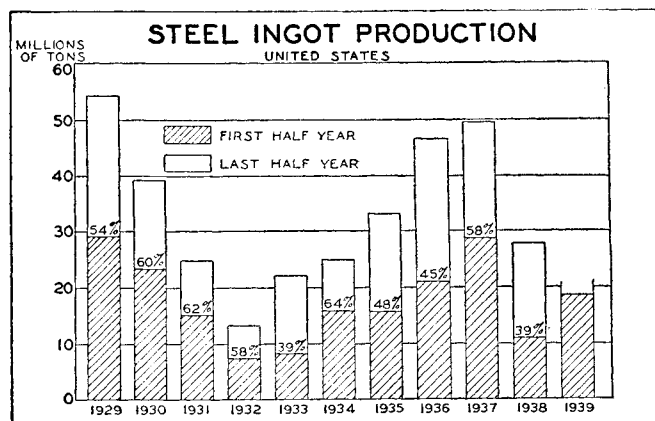
Mid-year reallocation of the Federal Reserve System's holdings of U. S. Government securities, whereby this bank's share was increased slightly, and technical conditions in the Treasury bill market whereby maturing bills in the System's portfolio were not replaced by purchase of new ones, caused relatively minor fluctuations in this bank's investment holdings in the four weeks ended July 19. Other assets were little changed in the period.

Reserve deposits increased substantially in recent weeks; in the last half of June they were 64 percent in excess of legal requirements, a new high figure.

MANUFACTURING, MINING

Iron and Steel The contra-seasonal increase in steel production, which was evident in June, reaffirmed itself in July following the Independence Day curtailment which reduced the national rate to 42 percent of capacity, twelve points below the final week of June. This was followed by a rebound to 50.5 percent the next week and 56.5 for the third week of July, a rate equalling the year's high point in the middle of March. The rate for the last week of the month was 60 percent, the highest since last November, and a gain of seven percent over the previous week. A year ago the rate was 37 percent.

The rise from the holiday shut-down has even exceeded expectations of the industry, and particularly so since miscellaneous demand is chiefly responsible for the increased production. Little rolled steel has been ordered out by automotive users on the large tonnages booked in the low-



price period of May. Production of 1939 models has been greatly curtailed, but 1940 cars are not yet appearing in numbers. Steel ordered so far has been for test runs and parts. With this outlet promising a sizable increase in the near future, the industry is anticipating a higher operating rate in immediately ensuing weeks.

Building and engineering construction activity has been a sustaining factor recently, and farm implement and equipment plants are stepping up output. Railroad buying is light; some passenger equipment has been placed, as well as locomotives, but these units do not contain large steel tonnages.

The Pittsburgh district showed little net gain in the four latest weeks, moving from 47 percent at the end of May to 36 percent in first week of July and then advancing to 50 percent, the best rate since the first two weeks of April. The Cleveland district dropped from 51 percent to 27.5 percent over the Holiday and then climbed to 56 percent in the third week and 73 percent in the last week in July, the highest rate since November. Youngstown mills declined from 51 to 38 percent and then climbed back to 54 percent. These rates contrast with operations of 30 to 36 percent in July 1938.

Steel ingot production in June totaled 3,130,381 gross tons, a slight increase over 2,917,876 tons in May. Six months' total was 18,629,927 tons, compared with 10,788,583 tons in first half last year.

June pig iron production aggregated 2,119,422 gross tons, compared with 1,717,522 tons in May. Total production for six months was 12,521,131 tons, compared with 7,931,098 tons in the comparable months in 1938. In 1937 six months' production was 19,771,335 tons.

Prices of steelmaking scrap are strong and fairly steady. Supplies are not plentiful and while tonnage buying has been absent, dealers have held their supplies. *Steel's* scrap composite price of steelmaking grades has ranged from \$14.62 at the end of May to \$14.91 the fourth week in July, with a rising tendency.

Consumption of Lake Superior iron ore in June totaled 2,829,667 gross tons, compared with 2,245,513 tons in May and with 1,471,660 tons in June 1938, an increase of 59.1 percent over last year. Nine additional ore carriers were put in service between June 15 and July 15, bringing the total vessels in the ore trade to 206 out of 302 available. Shipments of ore in June exceeded consumption and ore stocks are again increasing as is usual at this season so that mills will be supplied during the winter months when

navigation is closed. The amount on hand at furnaces and lake docks on July 1, however, was 25 percent less than a year ago.

Coal

Operations in coal-mining areas of the fourth district in June and the first half of July continued to increase moderately, excluding holiday interruptions, from the level attained following settlement of the dispute between miners and operators. They did not attain the production rate of the first quarter, however, but June output, at 11,700,000 tons in this district, was 38 percent ahead of June 1938.

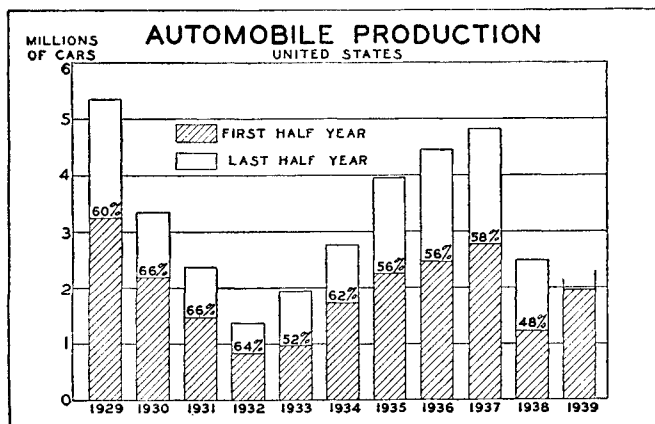
The greater share of demand at this season of the year represents coal being transported through Lake Erie ports to upper lake docks. In June, such loadings were 5,135,466 tons, a gain of more than 25 percent over last year. While for the season to date, loadings were below those of the comparable period of 1938 because of the strike, in mid-July dumpings were still expanding and were 30 percent in excess of last year at that time.

So far as sales were concerned, June was reported as a dull month generally, but in July there was some evidence of a better situation in several fields. Demand for industrial grades has improved moderately and there is evidence that stocks are again being accumulated, following several weeks of liquidating inventories which were built up in the early months of the year. Anticipation of higher prices to be established by the Coal Commission also was a strengthening factor. A better sentiment is apparent in coal trade in this district even though, from an earnings' standpoint, the industry is still very much depressed.

Automobiles

There was an increase in automobile assemblies in June over May whereas it is customary for a decline to occur at that time. According to the *Department of Commerce*, 309,720 cars and trucks were sold by domestic manufacturers in the period, an increase of 81 percent over a year ago and of more than five percent over June. The Board's seasonally adjusted index of daily average output rose eight points to 81 percent of the 1923-25 average, making up about half the April-May decline. While holiday observance and closing down for model changes were reflected in July weekly assembly figures which were at a lower level than in June, output was maintained at a somewhat better than expected rate through the week ended July 22. Despite a falling-off from the previous week, in the latest period assemblies were 48 percent above last year according to *Ward's* reports. The low point in 1938 assemblies was in the second and third weeks of August.

This year it is more than usually difficult to appraise weekly operating schedules. The changeover period was expected to be completed earlier than in recent years, but production on some 1939 models has held up longer than was first anticipated. In some quarters strikes at tool and die plants are disturbing preparations for new models. The extent to which 1939-model assemblies are being continued longer than planned in order to provide dealers with cars to carry over the later period when there will be no deliveries cannot be ascertained. The fact that June sales held up better than expected also might have been a contributing factor. Even though the national auto show is scheduled earlier than in any previous year, it now ap-



pears that August will be the low assembly month. Parts makers reported that orders in July were up rather sharply over June and although releases have been held up quite generally they still were considerably larger than a year ago. Releases on the large automotive steel orders placed in late May had not appeared in any volume up to the third week of July, according to reports received, even though all but two major producers were winding up, or had completed, assemblies of 1939 models.

In the first half of this year domestic assemblies numbered 1,953,533 cars and trucks, a gain of 62 percent from last year when first half production represented 48 percent of annual output, the smallest share of yearly production in over ten years.

Inventories and retail demand in June showed favorable changes from the previous month, although the former are still somewhat above a year ago, despite the drop from the spring peak. In relation to the better demand in June, and approach of the shut-down period, stocks were regarded as healthy. Early July sales fell off, according to reports, by more than the estimated seasonal amount.

In nine leading counties of the fourth district new passenger car registrations in June were down less than seasonally from May and were 82 percent ahead of a year previous. For the first six months the gain was 68 percent over the first half of 1938.

Rubber, Tires

The rubber industry continued to operate at a high rate during June. Tire production rose nearly ten percent above the May level and, with the exception of last March, it was the largest monthly output in two years. Chiefly as a result of heavy replacement demand, total tire shipments were the largest in any month since 1933. Shipments exceeded production, and for the third successive month, inventories fell. The June spurt in replacement sales followed a period of unusually high volume in this division, and for the twelve months ended June 30, replacement shipments totaled 34,871,000 casings, the largest twelve-month total since 1932. Retail sales late in June and early July were stimulated by presumably temporary price cuts on certain grades of tires and it was said that there was no unusual accumulation of dealers' stocks.

Crude rubber consumption during June did not rise quite as much as tire production, but again excepting last March, it was larger than any other month since June 1937. During the first six months of this year, consumption of crude rubber in the United States has varied between 42,000 and 50,000 tons a month, with the total for the half year 50 percent above 1938 and only 12 percent below the record established in 1937.

The increase in crude rubber consumption during June, combined with a decrease in imports, resulted in a further reduction of domestic rubber stocks. At the end of June, inventories of crude rubber were 38 percent below those on hand a year earlier, and they were the lowest in nearly two years. At the current rate of consumption, stocks were sufficient for only 3½ months. Crude rubber inventories in other consuming countries also have been reduced, and as a result, the International Rubber Regulation Committee raised permissible export allowances to 60 percent of basic quotas for the third quarter from the 55 percent which had been in effect. This is the first time in its his-

tory that the Committee has made a change retroactive. The higher rate was also made applicable to fourth quarter shipments. In spite of declining stocks, crude rubber prices have remained unusually stable for nearly a year. Since last August, the price of spot rubber in New York has fluctuated within the narrow range of 15 to 17 cents per pound.

Textiles and Clothing

Activity at textile and clothing plants continued at a high level during June and the first three weeks of July. At the end of June, employment at eleven Cleveland textile firms was better than since last December, and the highest June figure since 1935. It was 15 percent above last year. During the first six months of 1939 employment at these plants was well maintained, with less than the usual let-down between spring and fall seasons. In mid-July most firms were well along on fall lines, with some woolen mills reporting that their seasonal peaks had been passed in June. Output of woolen fabrics was being curtailed, but operations were being reduced gradually.

Men's clothing firms reported that operations were close to capacity in mid-July. Bookings for fall delivery had been completed, except for the usual fill-in orders placed by retailers during the selling season, and production schedules have been stepped up to provide for early shipment. Initial orders were far above last year, in some cases being as much as 30 percent above the similar 1938 period. Many stores were asking for early delivery on fall orders and cancellations were said to be at a minimum.

The women's wear trade was also active, with most garment makers operating at capacity in preparation for the fall season. Knitting mills reported that the demand for knitwear was being felt earlier than usual.

Other Manufacturing

In many of the other manufacturing lines in this district there was some pick-up in business during June and early July. The machine tool industry and makers of heavy electrical equipment continued to report a large volume of incoming orders. Firms making building materials and supplies were said to be benefiting from the large volume of construction contracts awarded so far this year, and household equipment makers reported that June and early July business was better than expected, with less-than-seasonal declines being experienced. Several other makers of consumers' goods were operating close to capacity.

In spite of these favorable developments, most firms still stated they were buying very conservatively and were continuing to liquidate inventories of finished goods. In many cases where orders had increased, operating schedules had not yet risen, and employment showed relatively minor gains.

In the machine tool industry, orders received during June were only four percent below the high May figure, and as a result, the three-month moving average of the index of new orders compiled by the *National Machine Tool Builders' Association* rose to the highest point in two years. During the first six months of the year the index averaged 182 percent of average monthly shipments during 1926, whereas the average for the first half of last year was only 88 percent. In 1937 the first half average

was 210, slightly below the level of May and June of this year.

Although the index is no longer divided between foreign and domestic orders, the Association stated that the June drop was entirely due to a decline in foreign business. Domestic buying extended the upward trend which started a year ago, with airplane and shipbuilding orders being received in heavy volume.

Other heavy equipment manufacturers continued to operate on low schedules. Makers of railroad cranes, road-building machinery, oil well equipment, and specialty castings were all said to be quite depressed. Foundry equipment orders, however, rose in June, but did not reach the levels attained earlier in the year. Shipments increased and the volume of unfilled orders at the end of the month fell. Some electrical equipment manufacturers reported a decline in incoming business during June, while others reported increases. In all cases, however, orders and shipments during the first half of the year were far above 1938, with orders showing a larger gain than shipments. This is partly due to the fact that in the early months of last year producers were still operating on orders placed in 1937, but at the present time some backlog of unfilled orders is being built up.

The glass industry maintained production at fairly high levels in June, but reports from manufacturers indicated that July was a month of low operations in nearly all lines but glass containers. In June, however, plate glass production increased for the second consecutive month, although the seasonal trend is downward. The window glass industry operated at 44.3 percent of capacity during the month, the lowest rate for the year, but twice as high as in June 1938.

The box and paperboard industry increased operations in June against the seasonal trend. Nevertheless, some increase in unfilled orders was reported in early July. Purchases were still on a conservative basis, although consumers' inventories were said to be low. Prices were firm. Some falling-off in new business during June was reported by makers of fine writing paper, but it was still well above last year.

Most consumers' goods lines reported no more than seasonal or less than seasonal declines during June and early July. Shipments of household washers increased against the seasonal trend, while sales of sewing machines and pottery fell by usual amounts. Sales of radios have declined somewhat, but other electrical equipment, refrigerators, and stoves have benefited from strong consumer demand. Inventories are said to be low, and some manufacturers have found that their raw material requirements for the third quarter were underestimated.

Fourth district shoe factories continue to report a large volume of business, with output for June and for the first six months ten percent higher than last year. After reaching a seasonal low point in May, production at local plants increased 15 percent in June. This development was contrary to the experience in most other producing centers, for output in the entire country was about the same in June as in May. In mid-July, orders for fall delivery were said to be coming in satisfactorily and far ahead of last year. Most plants were operating at capacity, and some were said to have received more business than they could comfortably handle within specified delivery dates.

TRADE

Retail

Retail trade during the first half of the year showed improvement over 1938, sales at fourth district department stores making a gain of six percent. Sales by wearing apparel shops also increased six percent, retail furniture stores sold twenty percent more house furnishings, and grocery chains raised their dollar volume four percent. These comparisons, although relating to value of sales, are also good indicators of physical volume, for price changes in the retail field during the last twelve months have been of relatively minor importance.

During June, retail sales in this district declined a little less than usual, and reports covering the first half of July indicated that the trend was continuing. The adjusted index of department store sales rose one point from its April and May level to 85 percent of the 1923-25 base in June. National indexes of rural retail trade and variety chain sales compiled by the *Department of Commerce* also rose. Sales by local grocery chains fell nearly three percent in June, but were still over five percent larger than in June last year. Wearing apparel shops in Cleveland reported a ten percent gain over June 1938, although similar stores in Pittsburgh and Cincinnati were down nearly five percent. Furniture stores sold 30 percent more goods in June than a year ago.

At department stores, the best gains over last June were made by home furnishings. Sales of electrical appliances were 56 percent larger than last year, furniture sales were up 14 percent, and most other home furnishings departments were up about 12 percent. Musical instruments and radios recorded a gain of only seven percent. Men's clothing sales were also far above last year, an increase of 24 percent being reported.

Purchasing policies remained conservative, and the seasonally adjusted index of department store stocks fell to 66.2 percent of the 1923-25 average. With the exception of September and December of last year, this was the lowest point reached by the index since July 1936.

Collections on both installment and regular charge accounts at department stores held up better than usual in June. Some decline was experienced, but in relation to accounts outstanding at the beginning of the month, they were better than in either 1938 or 1937. Collections during June were eight percent larger than in June last year, although accounts receivable at the end of the month were approximately the same.

Wholesale

With losses in Cleveland, Pittsburgh, and Cincinnati being offset by gains in the smaller cities of the district, fourth district wholesalers sold almost exactly the same amount of goods in June as in May. In comparison with last year, however, sales by the 230 fourth district firms reporting to the *Department of Commerce* rose nine percent. As is shown in the table on page seven, increases over last year were most marked in the cases of electrical appliances, lumber and building materials, and hardware. These products seemed to be benefiting from the large increases in construction contracts awarded earlier in the year, for the June increases over last year's sales were much larger than cumulative gains for the first six months.

Inventories continued to decline in June, but the gap

between current levels and a year ago was reduced to slightly more than one percent. At the beginning of the year, stocks on hand were 16 percent lower than those on hand at the beginning of 1938.

In relation to accounts outstanding at the beginning of the month, collections were about the same as in May and slightly better than in June of last year.

CONSTRUCTION

Start of work on four large Government housing projects during June raised residential contracts awarded in this district to the largest monthly total since 1928. According to the *F. W. Dodge Corporation*, residential construction begun during June in the fourth district amounted to \$20,396,000, a gain of 73 percent over May and 117 percent over June 1938. The four housing projects—two in Cleveland and one each in Pittsburgh and Columbus—were valued at \$9,000,000, almost half of all residential work begun during the month. Private residential construction, on the other hand, declined slightly during June, largely as a result of curtailed operations by so-called "speculative" builders.

Contracts for nonresidential construction awarded during June amounted to \$20,114,000, slightly above the monthly average for the first half of the year. About two-thirds of this work was publicly-financed, but there was some increase in private nonresidential building during June. In the first half of July there was a sharp reduction from June levels in both residential and nonresidential contracts, but public works construction increased.

Total contracts awarded in this district during the first half of 1939 were valued at \$186,831,000. This was a gain of 53 percent over the same period last year and only \$10,000,000 below the second half of 1938 when a large volume of public work brought total contracts to the highest six months' total since 1930. To a large extent the high 1939 figure also resulted from Government activity, for public projects made up over half of the total. Total residential construction rose 78 percent over the first half of last year while the gain in nonresidential construction was 19 percent.

Reports from dealers in lumber and building supplies were conflicting in mid-July. In spite of the large gains over last year in both residential and total construction, sales by fourth district wholesalers furnishing data to the *Department of Commerce* were only 15 percent larger than in the first half of 1938. This small increase is partially due to the fact that prices are lower than they were a year ago. Physical volume has therefore expanded somewhat more than dollar figures indicate.

AGRICULTURE

Crop prospects, both locally and in the country as a whole, improved markedly during June, but were lowered somewhat by continued drought in July. As a result of improved weather conditions in June, the Crop Reporting Board of the *Department of Agriculture* stated in its July 1 report that aggregate production probably would be close to the levels before the drought years. It was said that total acreage for harvest was expected to be about six percent below the pre-drought average, but that this decrease seemed likely to be offset by better-than-average yields per acre. There was, however, no indication that aggregate crop

production would equal 1937 or 1938, for in both of those years acreage harvested was larger than is indicated for this year.

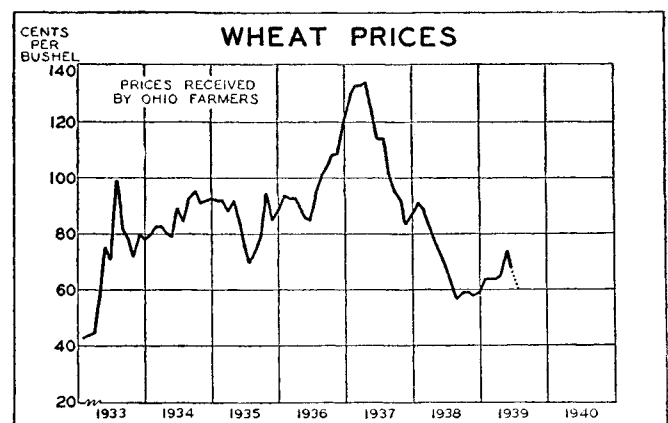
The accompanying table shows the *Department of Agriculture's* July 1 estimate of prospective yields of principal crops in the fourth district. Estimated production of corn and wheat show about the same changes from last year in this district as in the rest of the country, but hay production decreased more than in other areas, and tobacco production is estimated at less than the average increase.

Principal Crops—Fourth District
(000 omitted)

	July 1, 1939 Estimate	1938 Harvest	% change 1939 from 1938	10-year average harvest 1923-1937	% change 1939 from 10-year average
Wheat, bu.	40,810	53,076	-23.1	40,521	+ 0.7
Corn, bu.	199,747	199,591	+ 0.1	163,833	+21.9
Oats, bu.	42,779	49,425	-13.4	60,890	-29.7
Tame Hay, tons . . .	4,677	5,478	-14.6	4,645	+ 0.7
Tobacco, lbs.	115,661	105,694	+ 9.4	117,274	- 1.3
Potatoes, bu.	19,889	20,554	- 3.2	20,069	- 0.9

Wheat Farmers in this district have just completed harvesting the smallest wheat crop since 1934. Based on July 1 condition reports, estimated production was 23 percent below last year and more than 20 percent below the average for the last four years. This decline was almost entirely due to acreage curtailment, for yields were only slightly below average. Since wheat is about the only cash crop for many farmers in this district, low market prices were particularly discouraging. In the third week in July, local farmers were receiving about 60 cents a bushel. As is shown in the accompanying chart, this was slightly below last year and only half as much as was received in 1937.

Corn and Hogs Corn made excellent progress during June, in spite of the fact that excess moisture hindered cultivation and resulted in many weedy fields. Although acreage was slightly below last year, on July 1 it was estimated that 1939 production in the fourth district would be approximately the same as in 1938 and over 20 percent larger than the ten-year average. Part of the higher yield per acre was attributed to increased plantings of hybrid seed. Heavy feeding operations throughout the past winter were not sufficient to liquidate stocks of old corn, for the July 1 carry-over on Ohio farms amounted to almost one-fourth of the 1938 crop. Farmers are planning to expand feeding operations this fall, for in Ohio the spring pig crop was



14 percent larger than last year and nearly 20 percent above the ten-year average. The number of sows expected to farrow this fall is also 14 percent above last year, and it exceeds the ten-year average by nearly 30 percent.

Oats Oats improved considerably during June, and on July 1 indicated yield per acre was only slightly below the ten-year average. Total production, however, was expected to be 30 percent below this average and 13 percent below last year. The straw was generally short. The July 1 carry-over on Ohio farms was lower than last year and the ten-year average.

Fourth District Business Indexes

(1923-25 = 100)

	June 1939	June 1938	June 1937	June 1936	June 1935
Bank debts (24 cities).....	81	74	98	90	74
Commercial Failures (Number).....	43	62	37	38	49
(Liabilities).....	21	28	49	18	45
Sales—Life Insurance (O. and Pa.).....	75	72	99	93	91
—Department Stores (48 firms).....	82	75	95	84	75
—Wholesale Drugs (6 firms).....	100	98	109	96	80
— Dry Goods (4 firms).....	45	36	51	48	41
— Groceries (59 firms).....	75	75	88	75	69
— Hardware (11 firms).....	81	72	102	88	68
— All (80 firms).....	72	69	86	74	64
—Chain Drugs (4 firms)**.....	89	89	94	89	78
Building Contracts (Total).....	85	52	73	43	32
(Residential).....	119	54	55	45	40
Production—Coal (O., W. Pa., E. Ky.).....	65	47	75	68	69
—Cement (O., W. Pa., E. Ky.)*.....	79	72	92	87	65
—Elec. Power (O., Pa., Ky.)*.....	187	171	190	170	147
—Petroleum (O., Pa., Ky.)*.....	126	122	129	120	121
—Shoes.....	111	86	117	102	101

*May
**Per individual unit operated.

Wholesale and Retail Trade

(1939 compared with 1938)

	Percentage Increase or Decrease		
	SALES June 1939	SALES first 6 months 1939	STOCKS June 1939
DEPARTMENT STORES (53)			
Akron.....	+16.8	+16.1	+ 0.3
Cincinnati.....	+ 7.7	+ 4.2	+ 4.4
Cleveland.....	+11.7	+ 5.1	+ 5.8
Columbus.....	+ 7.5	+ 7.1	+ 2.2
Pittsburgh.....	+ 5.5	+ 2.4	+ 7.9
Toledo.....	+14.1	+ 8.4	+ 3.5
Wheeling.....	+ 6.1	+ 0.5	+12.1
Other Cities.....	+15.9	+11.9	+ 2.5
District.....	+ 9.7	+ 5.7	+ 4.6
WEARING APPAREL (13)			
Cincinnati.....	- 4.9	- 6.1	- 2.2
Cleveland.....	+ 9.6	+ 8.8	- 0.7
Pittsburgh.....	- 4.4	- 0.3	- 4.3
District.....	+ 3.6	+ 4.3	- 0.5
FURNITURE (40)			
Cincinnati.....	+26.2	+ 7.0	
Cleveland.....	+29.6	+25.4	
Columbus.....	+26.0	+16.7	
Dayton.....	+ 6.7	+ 7.0	
Toledo.....	+41.5	+ 3.8	
Other Cities.....	+50.2	+29.1	
District.....	+29.7	+19.6	
CHAIN STORES*			
Drugs—District (4).....	+ 0.03	1	
Groceries—District (4).....	+ 5.3	+ 3.7	
WHOLESALE TRADE**			
Automotive Supplies (9).....	+12.4	+ 8.3	-11.6
Beer (6).....	+18.0	1	0.0
Clothing and Furnishings (4).....	+18.8	1	1
Coal (3).....	-45.1	1	1
Drugs and Drug Sundries (6).....	+ 2.0	+ 5.9	- 0.6
Dry Goods (4).....	+23.0	+10.7	- 8.4
Electrical Goods (19).....	+49.4	+10.4	+ 6.8
Fresh Fruits & Vegetables (7).....	- 1.7	- 1.7	+ 2.8
Groceries & Foods (exc. Farm Products) (59)	+ 0.2	+ 6.5	+ 4.1
Total Hardware Group (40).....	+15.7	+ 2.3	+ 4.6
General Hardware (11).....	+31.5	+14.1	+ 3.1
Industrial Supplies (13).....	+17.3	+11.2	+ 0.6
Plumbing & Heating Supplies & Equip. (16)	+24.0	+ 1.6	- 7.1
Jewelry (7).....	+35.8	+15.2	1
Lumber and Building Materials (4).....	- 9.7	- 2.8	+10.3
Machinery, Equip. & Sup. (6).....	+ 1.1	+50.7	- 0.8
Meats and Meat Products (4).....	+41.7	+ 3.1	- 3.2
Metals (3).....	-13.1	+10.0	-20.3
Paints and Varnishes (6).....	+11.2	+10.0	+ 4.5
Paper and its Products (9).....	+ 2.1	- 1.9	+ 4.0
Tobacco and its Products (19).....	+15.3	+18.3	+ 2.0
Miscellaneous (15).....	+ 8.9	+ 4.2	- 1.5

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

Tobacco In mid-July, tobacco was irregular in this district. Some fields were exceptionally good while others remained spotty from excess moisture in June. Nevertheless, on July 1, Government crop reporters expected this year's production to exceed last year by nearly ten percent and to be only slightly below the ten-year average. The country as a whole is expected to grow 20 percent more tobacco than in 1938.

Hay Although the amount of land devoted to hay was somewhat larger this year than last, less favorable growing conditions resulted in an estimated reduction of 15 percent in the amount of hay to be cut, but it was still approximately equal to the ten-year average.

Fruit Fruit prospects continued favorable during June and the first three weeks of July, with most crops better than average and far better than last year. A record cherry crop was harvested, and indications are that peaches, pears, and apples will also approach record levels. Output of grapes in Ohio and Pennsylvania is expected to total 65,200 tons, compared with 25,500 tons last year and a ten-year average of 52,120 tons.

Fourth District Business Statistics

	(000 omitted)		Jan.-June 1939	% change from 1938
	June 1939	% change from 1938		
Fourth District Unless Otherwise Specified	\$2,197,000	+ 9.5	\$12,344,000	+ 3.4
Savings Deposits—end of month:				
40 banks, O. and W. Pa.....	\$ 781,617	+ 0.5	1	
Life Insurance Sales:				
Ohio and Pa.....	\$ 72,546	+ 5.0	481,674	+14.9
Retail Sales:				
Dept. Stores—53 firms.....	\$ 20,633	+ 9.7	119,208	+ 5.7
Wearing Apparel—13 firms.....	855	+ 3.6	4,995	+ 4.3
Furniture—40 firms.....	859	+29.7	4,710	+19.6
Building Contracts—Total.....	\$ 40,510	+63.8	186,831	+52.5
—Residential.....	\$ 20,396	+117.7	70,831	+78.2
Commercial Failures—Liabilities.....	\$ 946	-22.6	7,542	-36.9
—Number.....	632	-30.8	4592	-14.4
Production:				
Pig Iron—U. S..... tons	2,119	+99.7	12,521	+57.9
Steel Ingot—U. S..... tons	3,130	+91.7	18,630	+72.7
Auto—Passenger Car—U. S.....	246,704 ²	+80.7	1,577,699 ²	+68.5
Auto—Trucks—U. S.....	63,016 ²	+65.2	375,824 ²	+40.6
Bituminous Coal, O., W. Pa., E. Ky..... tons	11,700	+38.2	56,456	+ 1.9
Cement—O., W. Pa., W. Va. bbls.	950 ³	+ 9.8	2,861 ⁴	+17.8
Elec. Power, O., Pa., Ky. thous. k.w.h.	1,568 ³	+ 9.3	8,069 ⁴	+28.0
Petroleum—O., Pa., Ky. bbls.	2,335 ³	+ 3.5	10,546 ⁴	+ 6.1
Shoes..... pairs	5	+ 9.6	5	+ 9.8
Tires, U. S..... casings	4,837	+59.3	26,992	+50.8
Bituminous Coal Shipments:				
L. E. Ports..... tons	5,135	+26.0	7,866	-19.0

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

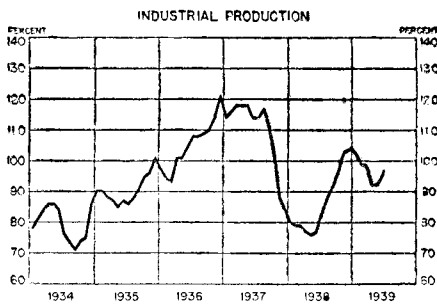
Debts to Individual Accounts

(Thousands of Dollars)

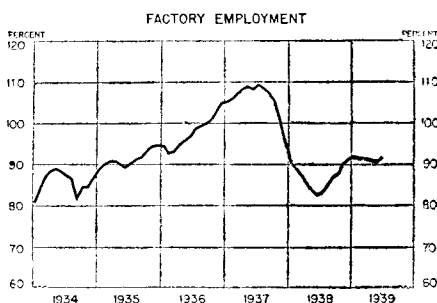
	4 Weeks ended July 19, 1939	% change from 1938	Year to Date Dec. 29, 1938 to July 19, 1939	Year to Date Dec. 30, 1938 to July 20, 1938	% change from 1938
	Akron.....	59,499	+16.7	426,510	376,410
Butler.....	8,198	+ 9.9	57,709	56,553	+ 2.0
Canton.....	32,116	+19.1	223,345	197,702	+13.0
Cincinnati.....	283,804	+ 2.9	2,067,236	2,025,116	+ 2.1
Cleveland.....	516,083	+15.6	3,523,432	3,284,495	+ 7.3
Columbus.....	161,304	+16.1	1,116,705	1,079,472	+ 3.4
Dayton.....	55,167	- 3.4	414,123	410,111	+ 1.0
Erie.....	23,498	+ 3.0	170,670	165,820	+ 2.9
Franklin.....	2,584	+10.1	17,860	18,865	- 5.3
Greensburg.....	6,905	- 1.5	43,540	44,673	- 2.5
Hamilton.....	9,434	+ 2.2	70,322	68,270	+ 3.0
Homestead.....	3,220	+ 7.0	20,438	19,483	+ 4.9
Lexington.....	19,699	+ 4.1	161,499	162,113	- 0.4
Lima.....	13,249	- 2.8	85,982	93,877	- 8.4
Lorain.....	4,696	+ 6.6	32,026	30,335	+ 5.6
Middletown.....	9,251	+17.9	66,600	56,893	+17.1
Oil City.....	8,683	+ 5.6	62,719	63,920	- 1.9
Pittsburgh.....	582,748	+ 8.5	3,995,269	3,984,614	+ 0.3
Sharon.....	6,988	- 0.2	51,411	48,221	+ 6.6
Springfield.....	15,885	+ 8.3	112,721	109,652	+ 2.8
Steubenville.....	9,002	+12.6	59,748	55,407	+ 7.8
Toledo.....	108,888	+15.8	760,923	708,772	+ 7.4
Warren.....	8,768	+20.4	61,985	53,124	+16.7
Wheeling.....	24,918	- 0.8	192,654	180,413	+ 6.8
Youngstown.....	44,326	+27.8	285,342	253,147	+12.7
Zanesville.....	7,675	+ 8.4	53,172	49,125	+ 8.2
Total.....	2,026,588	+10.4	14,133,941	13,596,583	+ 4.0

Summary of National Business Conditions

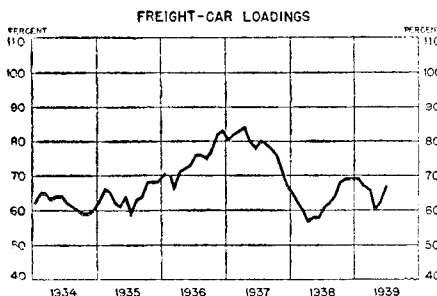
By the Board of Governors of the Federal Reserve System



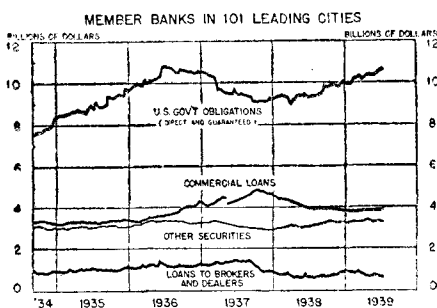
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to June 1939. Latest figure—97.



Index of number employed, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to June, 1939. Latest figure—91.5.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to June 1939. Latest figure—67.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to July 12, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other Loans" as then reported.

Output of factories and mines increased in June reflecting chiefly sharp expansion at steel mills and bituminous coal mines. In the first half of July industrial activity was generally maintained.

Production

The Board's seasonally adjusted index of industrial production advanced to 97 in June as compared with 92 in April and May.

At steel mills output increased from a rate of 45 per cent of capacity in the third week of May to 54 at the end of June and to 56 in the third week of July. Automobile production, which had declined in May, showed some increase in June when a decline is customary. In the first three weeks of July automobile output was at a lower rate, reflecting in part curtailment preparatory to the changeover to new models. Plate glass production rose considerably in June. Output of lumber, which usually shows some increase over May, was unchanged. Among nondurable goods industries woolen mills showed increased activity in June, and activity at cotton and silk mills was maintained though declines are usual at this season. Meatpacking was lower than in May.

Mineral production increased considerably in June reflecting a sharp rise in output at bituminous coal mines which had been closed during April and the first half of May. Production of anthracite declined from May to June and there was some reduction in output of petroleum.

Value of construction contracts awarded declined in June, according to F. W. Dodge Corporation figures, reflecting chiefly a greater than seasonal decrease in private residential building. Contracts awarded for public residential construction, principally for United States Housing Authority projects, were maintained at the advanced level reached in May, while public construction other than residential showed a small decline.

Employment

Factory employment and pay rolls increased somewhat from the middle of May to the middle of June according to reports from a number of important industrial States. There was a sharp expansion in employment at bituminous coal mines following the reopening of the mines in the middle of May, and the number employed on the railroads increased more than seasonally from May to June.

Distribution

Department store sales showed a less than seasonal decline from May to June and the Board's adjusted index advanced from 85 to 86, which compares with a level of 88 during the first four months of the year. Sales at variety stores and by mail order houses showed little change.

Freight-car loadings increased more than seasonally in June reflecting a sharp rise in shipments of coal and smaller increases in shipments of grain and miscellaneous freight.

Commodity Prices

Prices of hides, silk, steel scrap, copper, and some other industrial materials advanced from the middle of June to the third week of July, while some farm products, particularly grains, declined. Prices of most other commodities showed little change.

Agriculture

A total wheat crop of 716,655,000 bushels was indicated on the basis of July 1 conditions, according to the Department of Agriculture. This would be much smaller than last year's large crop and somewhat below the 1928-1937 average. Cotton acreage in cultivation was estimated to be about the same as last year but one-third less than the 10-year average. A record tobacco crop is indicated. Most other major crops are expected to approximate last year's harvests and are generally larger than average.

Bank Credit

Total loans and investments of member banks in 101 leading cities continued to increase during the four weeks ending July 12, reflecting largely purchases of United States Government securities. Commercial loans, which had shown little change in recent months, increased slightly. Deposits and reserves at these banks rose to new high levels in July, reflecting continued gold imports and Treasury disbursements from its balances at the Reserve banks.

Money Rates

Prices of United States Government securities, which had declined somewhat during June, recovered part of the loss in July. The longest-term Treasury bond outstanding showed a yield of 2.31 per cent on July 20, as compared with a record low of 2.26 on June 5. Open-market money rates showed little change.