MONTHLY BUSINESS REVIEW

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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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While the business decline in progress since December has shown signs of leveling off recently, current production rates in many industries are still in excess of incoming orders and backlogs are being reduced or inventories built up. Unfilled orders carried over from 1939 were an important sustaining factor during the first quarter of 1940, but in some cases this support was eliminated by mid-March; in other fields backlogs were still substantial. Current production, however, appears to be more nearly in line with actual consumption than during the fourth quarter last year. Nevertheless, new business in several lines remains low since needs are being filled by deliveries on orders placed some time ago or by reduction of stocks accumulated since last September.

This description of present business conditions is particularly applicable to the steel industry, in which operating rates fell from a high of 94 percent of capacity early in December to 62.5 percent in mid-March. The decline was rapid in January and February, but slackened in March; the national rate remained unchanged in the third week of the month, but dropped to 61 percent at the month end. Expansion usually occurs at this time of year, however, and although there has been some pickup in new business, incoming orders are still lower than steel ingot production.

Preliminary Ohio employment data show that general business activity has been maintained better than steel ingot production, for although earnings of steelworkers and blast furnace employees fell twelve percent in February from their January level, total payrolls in all industrial groups declined only two percent. The number of iron and steel workers was off four percent, whereas the decline in total employment was less than one percent. The relatively large drop in payrolls as compared with number of workers was caused by fewer hours worked, there having been little variation in wage rates recently.

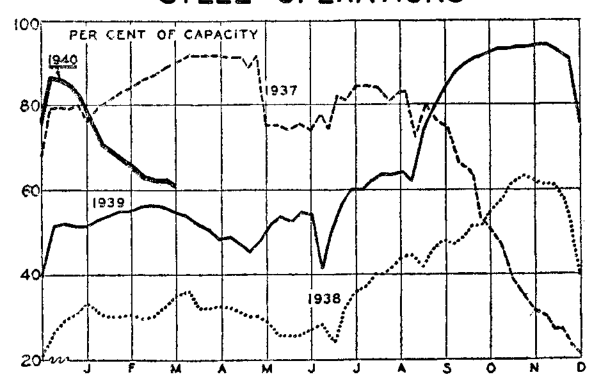
The automobile industry was an important factor in sustaining activity in this district during February, for production of new cars and trucks was the second largest in history for that month, and heavy shipments of parts, tires, and glass to assembly plants kept operations in many fourth district factories at unusually high levels for that time of year. The large volume of assemblies, however, resulted in expansion of dealers' stocks of new cars, and production schedules rose less than seasonally in March. Parts makers reported in mid-March that automobile producers were reducing inventories of parts and supplies used in 1940 models, and orders had fallen off sharply. This reduction was said to have started earlier than usual.

Operations in nondurable consumers' goods lines varied considerably, depending in large part upon seasonal factors. In mid-March textile mills were running on reduced schedules following completion of work on spring lines. Early orders for fall delivery were considerably less than for the spring season just closed. Men's clothing makers were still producing at capacity in an attempt to deliver merchandise ordered last fall. Women's wear plants had reduced operations following disappointing Easter business. Shoe manufacturers were nearing the close of their spring season. Low volume of fill-in orders for clothing and shoes was attributed to the early Easter and unfavorable weather.

Retail trade advanced slightly less than seasonally in February, and department store sales in this district were only three percent higher than a year ago, on a daily average basis. Larger gains over 1939 were reported in the first three weeks of March, but most of the rise was caused by early occurrence of Easter. Sales were considerably lower than in corresponding pre-Easter weeks last year.

The total volume of construction contracts awarded in this district during February was sharply lower than in January, but advanced more than seasonally in the first half of March. The February decline was caused by absence of large Government housing projects in that month's

STEEL OPERATIONS



totals. Private work rose, and exceeded both January and the corresponding month in 1939 by about 20 percent.

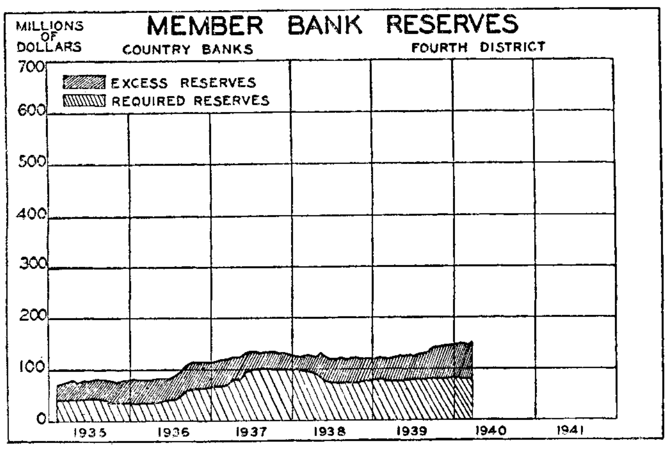
FINANCIAL

Member Bank Reserves Reserve balances of member banks in this district, particularly at banks located in reserve cities, have increased sharply during the last twelve months. In the first half of March they averaged $705,577,000 compared with $509,668,000 during the similar period a year ago. This was a gain of 38 percent. Reserve requirements also rose as customers' deposits expanded, but the growth in requirements was sufficient to absorb only approximately $50,000,000, so that excess reserves rose to about $335,000,000, or 90 percent of requirements.

As shown in the accompanying charts, most of this growth in reserve balances occurred at banks located in the five reserve cities of this district. Banks in Cleveland, Pittsburgh, Cincinnati, Columbus, and Toledo, which at the present time are required to maintain reserves equal to 17½ percent of their demand deposits and five percent of time deposits, accumulated reserves rapidly during most of 1939 and the first quarter of 1940. All other banks in the fourth district, whose reserve requirements are twelve percent of demand deposits and five percent of time deposits, have shown little change in reserve balances since mid-1938 except for a short period last September. At that time their reserves increased by about $10,000,000.

The rise in reserve balances of reserve city banks during the past year was mainly the indirect result of increased holdings of primary monetary reserves in this country. Accretions to this country's gold stock have been substantial, and although the proceeds from imported or newly-mined gold are seldom deposited with banks in this district, reserve balances which originated in the form of gold gradually become available to local banks as these new funds are invested or spent for fourth district products.

The growth in reserve requirements at both reserve city and country institutions shown by the charts as having occurred from mid-1938 to date resulted from steady expansion in the volume of customers' deposits. Changes in required reserves during 1936, 1937, and 1938, however, were largely due to action taken by the Board of Governors of the Federal Reserve System pursuant to authority granted by the Banking Act of 1935, first in raising requirements to the maxima permitted by law, and then in reducing them somewhat. It is apparent that these changes in required reserves had quite different effects on the volume of excess reserves possessed by the two classes of banks even though increases in requirements were proportionate for each class. The increase in reserve requirements during 1936 reduced excess reserves of reserve city banks materially without affecting those of other banks to any extent. Country banks in this district built up reserve accounts at that time by drawing on balances with correspondents. The 1937 increases, however, resulted in some reduction of country banks' excess reserves, but the decline was not as large as at city banks. When requirements were lowered in April 1938, excess reserves of both classes of banks rose by approximately the amount of this reduction.

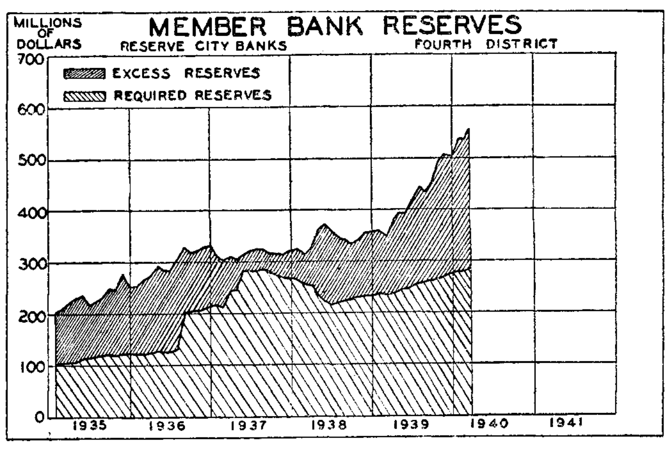


Member Bank Credit The upward trend in commercial and industrial loans at weekly reporting member banks in this district which was apparent in February continued through the first three weeks in March. In the seven weeks ended March 20 total funds loaned to commercial and industrial borrowers exceeded repayments by $20,000,000, raising the amount of this type of loans outstanding to $273,000,000. This was the highest figure recorded since early 1938, when loans were first classified on the present basis, and was 17 percent larger than a year ago. So-called "other" loans also expanded in March, but real estate loans declined slightly.

Changes in security investments of these banks during March were also similar in character to February shifts. Holdings of Treasury notes were reduced, but this was offset in part by larger investments in longer-term Government obligations, both direct and guaranteed.

The trend in adjusted demand deposits was upward until the third week in March, when Federal income tax payments resulted in a transfer of funds to the Government's account with the Federal reserve bank.

Federal Reserve Bank Credit This collection of taxes on 1939 income was largely responsible for a decrease in member bank reserve deposits at the Federal reserve bank in the week ended March 20, and a corresponding increase in the United States Treasurer's balance. Except for this temporary reduction, member bank reserves have been rising steadily. Borrowing from the Federal reserve bank, therefore, has remained low; only two member banks were borrowing late in March. Total bills discounted on March 20 amounted to $148,000, more than half of which represented foreign loans secured by gold. Working capital loans to industry advanced slightly in the



first half of March. There was a slight reduction in holdings of Government bonds in the third week of the month.

MANUFACTURING, MINING

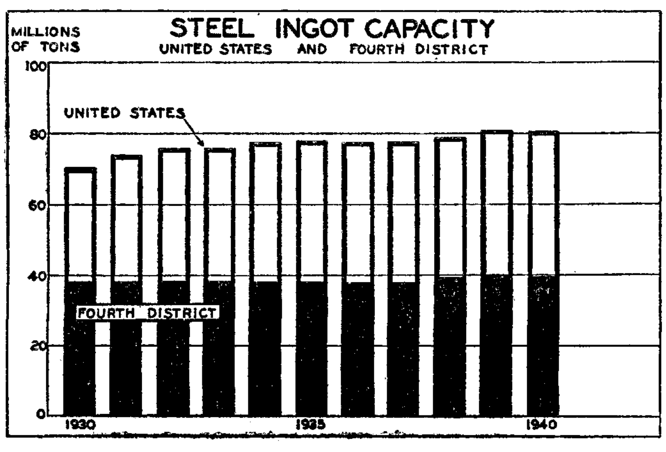
Iron and Steel

In recent weeks the rate of contraction in steel mill operations has moderated, but expansion which usually occurs at this time of year has failed to develop. The national steel rate remained unchanged at 62.5 percent of capacity in the third week of March, but declined to 61 percent at the month end. This represented a drop of only about four points during March, whereas operations had declined ten points each in January and February.

Most major producing areas in the fourth district have followed the national trend quite closely since last December, but in March there was a slight pickup in operations at Pittsburgh, Youngstown, and Cleveland. Only Cleveland and Wheeling in this district, however, have continued to operate at rates higher than the average for the entire country.

Steel consumers bought heavily in the fourth quarter last year, taking delivery on as much steel as the mills were able to furnish at that time, and providing steel producers with large backlogs which were carried over into 1940. This heavy volume of purchases was more than sufficient for fabricators' needs, and when it became apparent that prices would not be raised and that deliveries could be depended upon, orders fell off sharply as steel consumers met current needs from stocks built up last fall or from deliveries on orders placed immediately after outbreak of war in Europe. New business coming to steel producers, therefore, was in low volume during the entire first quarter of 1940, with estimates placing incoming orders at only 40 to 45 percent of capacity during most of the period. By mid-March some companies had worked backlogs down to a minimum and were dependent entirely on current orders for maintenance of operations, but others were still delivering steel on commitments made some time previously.

Despite the low volume of orders, steel consumption has held up relatively well, according to fabricators' reports, and is thought to be at a higher rate than ingot production as well as above the current volume of orders. Some improvement in demand was noted in March, but this was largely seasonal in character, such as automotive buying. Extension of existing prices for second quarter delivery has deterred speculative buying, and consumers in general are said to be reducing stocks on hand. Export sales



have risen somewhat. Pig iron sellers have also begun booking second quarter tonnage at unchanged prices, but they made no formal price announcement.

Steelmaking scrap has continued to decline, with very little buying, and prices are largely nominal. *Steel's* composite of steelmaking grades fell to $16.25 a ton late in March, the lowest since last September. There has been little tonnage buying for domestic consumption, mill stocks being ample for current needs. Some scrap continues to move into export as ships become available.

Pig iron output was 2,950,618 gross tons in February, a drop in the daily average rate of twelve percent from January. Active blast furnaces dropped from 177 at the end of January to 157 at the end of February.

The *American Iron and Steel Institute* has recently published data regarding steel ingot capacity as of the beginning of this year. Annual figures for the entire country from 1930 to date, together with the estimated share of the national total accounted for by mills located in the fourth district, are shown in the accompanying chart. The capacity of this district in 1930, 1935, and the three years 1938 to date was compiled from *Institute* publications; the intervening years were estimated.

It is apparent that the Cleveland Federal Reserve District provides roughly one-half of the total steelmaking capacity of the entire country, and that there has been little change in ingot capacity either in the fourth district or the remainder of the country in recent years. Other areas expanded their capacity to produce steel ingots during the period from 1930 to 1935 by more than 20 percent, but the fourth district total remained practically unchanged. Last year total capacity of the country declined slightly as Bessemer furnaces were scrapped, but open hearth, crucible, and electric capacity was increased. Bessemer capacity is now the lowest in 40 years. The extensive modernization programs carried out by several producers from 1935 to 1938 had little effect on ingot capacity, for the equipment installed at that time was largely in the form of continuous rolling mills and other fabricating machinery.

Coal

Bituminous coal production in the fourth district eased off slightly in February and early March, but was well maintained in the face of declining consumption of coal and coke by the steel industry. Total output during February amounted to 14,212,000 tons, a decline of ten percent from February and about equal to that of last December, but still 18 percent larger than a year ago.

Since output was reduced somewhat in February, producers were better able to balance production of the various types of coal with prevailing demand. Large sales of heating coals in January, particularly in the case of domestic grades, had resulted in accumulation of slack and stoker coals, the demand for which was weak. Prices of these industrial coals, therefore, declined in January, but they recovered in February and March as output was curtailed and consumption remained relatively good.

Expected promulgation of minimum mine prices under the Guffey Coal Act to take effect some time this summer has had some effect in maintaining mine operations recently. Coal producers report that little stocking of coal is yet being done by industrial consumers, but expectation that prices may be higher than those now prevailing is said to be a factor in an unusually early movement of substantial quantities of coal to lower lake ports prior to opening of the navigation season. This movement has been so large that some lower lake docks have become congested, and at least one railroad has embargoed any further shipments to two of the ports it serves. Ice on upper lakes was said to be thinner than usual, and an early opening of the navigation season was expected in February, but Lake Erie ports remained icebound through March.

Export trade, particularly Canadian, has shown improvement lately. Buyers from eastern Canada have requested substantial rail shipments prior to the opening of navigation. Sales to Europe and South America, although somewhat larger than before the war, continue to be hampered by lack of available bottoms and high shipping costs, as well as difficulty in arranging for payment in dollar balances.

Automobiles Domestic production of passenger cars and trucks in February was larger than in any corresponding month in history, with the exception of 1929, and was an important element in supporting a relatively high volume of activity in many fourth district factories. Parts makers, tire manufacturers, and glass factories benefited directly from this heavy volume of assemblies, and retail trade in many centers was supported by large payrolls in plants contributing to the automotive industry. Steel requirements in most cases, however, were met by drawing on stocks accumulated during the fourth quarter of last year, and new orders for steel were nominal until mid-March. Despite reports of favorable retail sales during February, dealers' inventories of new cars and trucks were raised to record levels by the end of the month, and assembly schedules were stepped up less than seasonally in March. Shipments of parts, tires, and glass reflected this situation, showing little increase over February, although marked advances usually occur at that time. Automobile manufacturers were said to be reducing stocks of parts and supplies somewhat earlier than in other recent years.

In comparison with last year, total domestic output of cars and trucks during February showed a gain of 33 percent. Most of this rise was caused by expanded production of passenger cars, which, at 337,372 units, was 39 percent larger than a year ago, whereas truck assemblies, amounting to 66,255 units, showed a gain of only ten percent. Export trade in passenger cars was considerably smaller than a year ago, and although there has been some war buying of trucks, production of commercial cars for the foreign market in the first two months of 1940 was slightly lower than in the same months in 1939.

Domestic markets were strong in February, with preliminary reports on passenger car registrations compiled by *R. L. Polk and Company* showing a less than seasonal drop of only 15 percent from the January level and a gain of 32 percent over February of last year. Retail sales in eight major counties of this district were up more than the national average, showing a gain of 63 percent. Despite this favorable sales volume, production exceeded retail deliveries, and dealers' stocks were estimated at about 500,000 units early in March. This was the largest volume in the history of the industry, and local banks reported they had experienced some increase in dealers' demand for loans for the purpose of carrying inventories. Sales in the early part of March were less than expected, and dealers' new car stocks continued to expand.

The number of used cars in the hands of dealers was also at an all-time high early in March, although the seasonal peak is ordinarily not reached until some time in April. February sales, however, were also at an unusually high level for that time of year.

Rubber, Tires Daily average crude rubber consumption in February fell six percent below the January level, but it was still 13 percent greater than a year ago and more than twice as large as in 1938. Payrolls in Ohio tire factories also fell seven percent during the month, but employment was off only slightly, and exceeded last year by 13 percent. In mid-March producers reported that schedules were being held at or above February rates.

Maintenance of a relatively high level of activity in the rubber industry thus far in 1940 was attributed to heavy shipments of original equipment tires to automobile assembly plants, desire of tire makers to accumulate inventories prior to seasonal expansioin in replacement sales, and sustained demand from truck and bus operators and from producers of tractors and earth moving equipment. Manufacturers stated that a relatively large part of current output was in the form of heavy tires, thus partially accounting for the fact that since last November the number of tires produced has not been as large as would have been indicated by the customary relation between crude rubber consumption and tire output. Expanded production of mechanical rubber goods was also a factor in this situation.

In mid-March rubber companies reported that replacement tire sales were about up to seasonal expectations, but that orders for mechanical rubber goods had fallen sharply to a level approximately equal to that prevailing prior to outbreak of war. Sales of these products are said to follow general business conditions quite closely. Tire inventories had been built up considerably from the low level reached last fall.

Textiles and Clothing Textile mills and clothing plants located in the fourth district continued to operate close to capacity through February, but by mid-March producers of worsted materials had completed work on spring lines. Orders were being taken for fall delivery, but manufacturers were not planning to begin production of fall fabrics until some time in April. Clothing plants, on the other hand, were still producing spring merchandise, and shipments continued heavy through the first half of March, with some deliveries carried over until after Easter. On March 1, employment at eleven Cleveland textile and clothing plants was the largest since 1935 as knitting mills and men's wear factories operated at unusually high rates.

Early orders for fall fabrics were said to be about 40 percent lower than those received during the spring season just completed.

Men's clothing plants were still operating at capacity in mid-March in an attempt to speed delivery of merchandise ordered by retailers last fall. Weather conditions in February and March were not favorable to retail sales, however, and Easter volume was disappointing. The usual amount of repeat orders for spring apparel, therefore, was not being received. Makers of men's specialty clothing such as light weight summer suits, which normally are not sold at retail until late spring, were shipping the largest volume on record, and had sufficient orders on hand to assure capacity operations through mid-June. Men's work clothing manufacturers were also operating against backlogs; they reported a falling-off of new business in March.

Women's wear and millinery plants thus far have experienced a disappointing spring season. Cold weather combined with an early Easter retarded spring apparel sales at retail, and dealers' purchases have been held down in order to prevent accumulation of burdensome inventories.

Other Manufacturing Operating rates in most other manufacturing lines of importance in the fourth district were quite well maintained in February and the first three weeks of March, but in only a few cases was improvement in new business noted during this period. Operations were held at high levels because backlogs carried over from 1939 were still substantial, but in mid-March many manufacturers reported that unfilled orders had been reduced to a minimum.

Backlogs in the machine tool industry, however, have shown little reduction since last fall as orders from manufacturers of airplanes and airplane motors have taxed the industry's capacity to furnish precision instruments. Makers of this type of machinery, therefore, have continued to expand working forces and have placed substantial orders with each other for new machine tools. At the present time, therefore, machine tool companies are among their own best customers. Unprecedented demand for precision tools has resulted in new production peaks being reached each successive month by many large producers, but plants not in a position to supply requirements of airplane manufacturers and arsenals have curtailed operations lately and are working considerably below capacity.

Other types of heavy industrial equipment have not experienced this same large volume of business. Orders for foundry equipment, for example, fell off somewhat in February, and backlogs were reduced as shipments exceeded new business. Sales of small tools, bolts, and nuts were also less than in January and continued to fall in the first half of March, but they were still well above the corresponding period last year. Total orders of electrical equipment manufacturers, on the other hand, rose in February. Expansion programs of the utility industry were partially responsible for this increase, but sales of consumers' goods, such as refrigerators, rose sharply. Manufacturers' shipments of washing machines during February were the second highest in history for that month.

Office equipment manufacturers reported a sustained level of operations in February and the first half of March, with a slight pickup in new business recently. Orders have continued to exceed production, and backlogs are larger than those accumulated during last fall's period of speculative buying. Domestic sales are considerably higher than a year ago, more than offsetting loss of foreign markets resulting from the war.

New business of paper and paperboard producers has generally declined since last September, but there was some increase in sales of fine writing papers early in March. Paperboard prices have weakened recently, following reductions in prices of waste papers. Soon after outbreak of war last fall these raw material costs rose sharply, resulting in a similar advance in paperboard and box prices, but with the declining demand for most paper products, waste paper prices fell, and prices of finished products now reflect lower raw material costs. Prices of imported pulps, on the other hand, have risen somewhat recently. Sales of boxes were at a seasonal low point in March, but customers were accepting deliveries on orders placed earlier with few requests for delayed shipments.

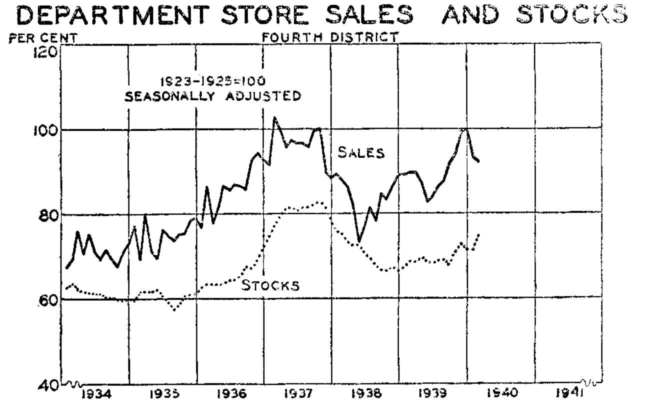
Production of most types of glass products declined in February as orders remained low. Plate glass output fell to 13,175,000 square feet, a drop of 24 percent from January, but still 30 percent above a year ago. Window glass output also fell more than 20 percent from the unusually high January level, but part of the drop was caused by shutdowns pending settlement of an industrial dispute. Despite this curtailment, total window glass production was only five percent lower than the average monthly total in the fourth quarter last year.

In mid-March manufacturers reported a greater than seasonal drop in orders for plate glass, and the usual spring pickup in window glass sales had not yet occurred. Both production and shipments of plate and window glass exceeded orders, and backlogs which had been substantial at the beginning of the year no longer existed. Manufacturers' inventories were being built up, but producers estimated that the rate of increase in stocks was approximately equal to the rate at which dealers and consumers were liquidating supplies purchased last fall.

Glassware and glass container divisions also reduced operations in February, but output was at or above the level of last year. Dinnerware plants, however, reported an increase in new business during the first half of March, following a more than seasonal drop in January and February which had reduced sales below the level of 1939. Operations were expanded to about 75 percent of capacity in mid-March in response to the pickup in sales.

Shoe production in the fourth district rose somewhat in February and early March as work on spring lines progressed, but new business reflected disappointing retail sales, and in mid-March some companies reported they were nearing the end of their spring season earlier than usual. Output of fourth district shoe factories in January and February was slightly less than production during the same two months last year, and the volume of orders on hand near the end of March indicated a further decline before the close of the spring season.

DEPARTMENT STORE SALES AND STOCKS



TRADE

Retail Nearly all national indexes of retail trade show that sales failed to make their usual gain in February. The index of department store sales compiled by the Board of Governors of the Federal Reserve System declined two points to 90 percent of the 1923-25 average, and indexes of rural retail trade and variety chain store sales compiled by the *Department of Commerce* also showed less than seasonal advances. In this district, the seasonally adjusted index of department store sales fell only six-tenths of one point to 92.7 percent of the 1923-25 average. In comparison with a year ago, however, daily average sales were up three percent. Without allowance for difference in the number of shopping days, department store sales in the fourth district were ten percent larger than a year ago, retail furniture sales were up 22 percent, and wearing apparel shops reported a gain of six percent. Chain drug sales were up only four percent. Chain grocery firms reported a rise of 15 percent in average sales per store operated, but this advance is partly due to concentration of operations in larger units instead of actual increases in the volume of merchandise handled.

Part of these gains in dollar sales volume, as compared with last year, is due to somewhat higher retail prices. *Fairchild Publications* states that average retail prices advanced for the eighth consecutive month in February, and on March 1 they were nearly four percent higher than a year previous, but still four percent lower than the 1937 peak.

Department store inventories rose sharply in February, and the seasonally adjusted index of department store stocks advanced to the highest level in two years. This increase in the index, however, may be due to inability to make proper allowance for the unusually early occurrence of Easter, which apparently caused department stores to build up stocks of spring merchandise in February rather than in March.

Results of the Easter shopping season were quite unsatisfactory as cold weather which prevailed through most of March retarded sales of spring merchandise. In comparison with the same weeks last year, sales in the first three weeks of March showed marked gains, but they were approximately ten percent below those of corresponding pre-Easter weeks in 1939.

Wholesale Wholesale trade in the fourth district during February was well maintained in the face of seasonal factors and the general decline in industrial activity, and total sales of 221 firms reporting to the *Department of Commerce* fell only five percent from the January level. As shown in the table on page seven, dollar volume was twelve percent larger than a year ago. Comparisons with 1939 ranged from a gain of 64 percent in sales of machinery and supplies to a loss of six percent in the case of clothing and furnishings dealers.

Purchasing policies of most wholesalers were conservative in February, there being almost no change in stocks of merchandise in the hands of grocery firms and several other groups. Increases in stocks of automotive supplies, paints, drugs, and dry goods, however, raised total stocks of the 110 firms reporting inventory data by three percent. Nevertheless, at the end of February they were less than seven percent larger than a year ago, whereas a month earlier a similar comparison showed a gain of nearly ten percent.

CONSTRUCTION

Private construction activity in the fourth district increased in February, but there were few public projects started, and the total volume of construction begun during the month was the smallest in nearly two years. Total contracts awarded, according to the *F. W. Dodge Corporation,* amounted to only $18,590,000, a decline of 25 percent from January, and 18 percent less than in February of last year. Private work, however, showed a gain of about 20 percent over both January and the corresponding month last year.

The increase in private construction during February occurred in both residential and nonresidential building. Commercial building in western Pennsylvania and factory building in northern Ohio rose from their low levels of the preceding month, and commercial and factory building in western Pennsylvania, Ohio, West Virginia, and Kentucky totaled $4,700,000, which was more than twice the amount begun in February 1939. In comparison with the amount of these types of buildings erected several years ago, however, the present volume is quite small, totaling only one-third of the 1928 monthly average.

Private residential building picked up slightly more than seasonally from the low January level as both speculative builders and home owners expanded operations after the extreme cold prevailing in the first few weeks of the year. The total value of one- and two-family houses on which construction was started during February was 20 percent larger than in the corresponding month a year ago, whereas the January figure showed little gain over 1939. It was the largest February since 1930.

AGRICULTURE

There was little change in important farm prices in February and the first three weeks of March. Hog prices fluctuated at about the low level of last August, to which they had returned after a speculative spurt in September, and were considerably lower than a year ago. Wheat and corn prices were realtively stable at levels not far from peaks reached last December when unfavorable domestic weather conditions, combined with reports of less-than-expected foreign production, raised prices sharply. Prices of beef cattle advanced, but they were still below those of last year at that time.

Prospective Plantings Farmers in this district plan to reduce acreage of corn, oats, and tobacco this year, but to expand the amount of land devoted to soy beans and barley, according to reports submitted to the *Department of Agriculture* on or about March 1. At that time Ohio farmers expected to curtail acreage of corn six percent, oats seven percent, and burley tobacco eight percent. Kentucky tobacco growers planned to reduce acreage only five percent under the A.A.A. program, but the total of all types of tobacco grown in the United States will be reduced 22 percent if present expectations are carried out. Soy bean acreage in Ohio will rise 35 percent; for the first time it will exceed the amount of land planted to oats. This expansion is due to greater use of domestic beans in the growing plastics industry, as well as to substitution of the fodder for other types of hay, and recognition of its soil-conserving qualities.

Wholesale and Retail Trade

(1940 compared with 1939)

	Percentage Increase or Decrease SALES February 1940	SALES first 2 months	STOCKS February 1940
DEPARTMENT STORES (52)			
Akron	+9.9	+12.2	+14.9
Cincinnati	+15.3	+10.9	+4.8
Cleveland	+10.0	+10.6	+8.4
Columbus	+10.3	+9.5	+23.2
Erie	+6.6	+10.5	+8.5
Pittsburgh	+7.7	+9.2	+7.6
Toledo	+11.2	+10.1	+10.6
Wheeling	—1.2	+3.1	+19.8
Other Cities	+9.1	+13.8	+20.6
District	+9.7	+10.3	+10.1
WEARING APPAREL (12)			
Cincinnati	+8.2	+3.7	—8.0
Cleveland	+10.1	+6.9	+2.5
Pittsburgh	+4.0	+1.6	+18.2
District	+5.7	+3.7	+3.1
FURNITURE (39)			
Cincinnati	+27.1	+12.0	
Cleveland	+34.2	+28.7	
Columbus	—12.2	—6.1	
Dayton	+1.4	—2.7	
Toledo	+18.6	+25.0	
Other Cities	+22.5	+15.5	
District	+21.5	+16.7	
CHAIN STORES*			
Drugs—District (5)	+4.2	[1]	
Groceries—District (4)	+14.8	+14.2	
WHOLESALE TRADE**			
Automotive Supplies (9)	+19.1	+31.6	—4.8
Beer (7)	+6.5	+3.4	+37.5
Clothing and Furnishings (6)	—6.0	—1.8	[1]
Confectionery (4)	+15.8	+5.8	[1]
Drugs and Drug Sundries (7)	+9.1	+8.6	+6.1
Dry Goods (4)	+12.6	+15.3	+18.5
Electrical Goods (15)	+26.8	+23.4	+1.1
Fresh Fruits & Vegetables (8)	—0—	+2.3	—1.7
Furniture & House Furnishings (3)	+22.0	+9.4	[1]
Grocery Group (51)	+8.4	+7.7	+9.9
Total Hardware Group (39)	+17.7	+15.8	+5.2
General Hardware (8)	+0.6	+3.2	+3.3
Industrial Supplies (16)	+39.0	+33.2	+4.8
Plumbing & Heating Supplies (15)	+20.8	+19.6	+13.4
Jewelry (3)	—5.1	[1]	[1]
Lumber and Building Materials (5)	—1.4	—3.1	[1]
Machinery, Equip. & Sup. (4)	+63.9	+52.0	[1]
Meats and Meat Products (5)	+11.8	+14.2	+14.5
Metals (3)	+30.8	+27.3	[1]
Paints and Varnishes (6)	+4.3	+14.1	+12.8
Paper and its Products (7)	+11.8	+13.9	+13.8
Tobacco and its Products (16)	+9.2	+7.4	—10.9
Miscellaneous (17)	+19.1	+19.8	+4.4
District—All Wholesale Trade (221)	+12.1	+12.0	+6.7

*Per individual unit operated.
**Wholesale data compiled by U. S. Department of Commerce.
[1]Not available.
Figures in parenthesis indicate number of firms.

Fourth District Business Indexes

(1923-25=100)

	Feb. 1940	Feb. 1939	Feb. 1938	Feb. 1937	Feb. 1936
Bank debits (24 cities)	79	67	64	81	70
Commercial Failures (Number)	36	41	66	38	58
" " (Liabilities)	21	18	63	27	50
Sales—Life Insurance (O. and Pa.)	78	80	69	88	82
" —Department Stores (48 firms)	73	71	70	82	70
" —Wholesale Drugs (7 firms)	116	106	98	110	93
" — " Dry Goods (4 firms)	46	41	35	49	41
" — " Groceries (51 firms)	67	62	63	73	66
" — " Hardware (39 firms)	67	57	56	76	56
" — " All (101 firms)	68	61	61	73	63
" —Chain Drugs (4 firms)**	95	91	86	93	90
Building Contracts (Total)	39	48	30	37	28
" " (Residential)	49	41	26	34	14
Production—Coal (O., W. Pa., E. Ky.)	79	66	51	88	81
" —Cement (O., W. Pa., E. Ky.)		19	15	31	12
" —Elec. Power (O., Pa., Ky.)*	236	204	187	199	174
" —Petroleum (O., Pa., Ky.)*	114	115	120	116	109
" —Shoes	125	122	120	122	117

*January.
**Per individual unit operated.

Debits to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended March 20, 1940	% change from 1939	Year to Date Dec. 28, 1939 to Mar. 20, 1940	Year to Date Dec. 29, 1938 to Mar. 22, 1939	% change from 1939
Akron	61,376	+5.6	189,692	169,076	+12.2
Butler	8,612	+8.6	26,858	23,033	+16.6
Canton	34,721	+11.8	104,434	88,795	+17.6
Cincinnati	304,629	+6.4	914,966	850,765	+7.5
Cleveland	530,670	+14.9	1,663,059	1,454,393	+14.3
Columbus	181,243	+8.2	493,389	454,130	+8.6
Dayton	63,959	+9.4	191,422	169,410	+13.0
Erie	26,053	+7.2	79,589	70,150	+13.5
Franklin	2,737	+12.0	8,952	7,164	+25.0
Greensburg	6,374	+4.4	21,763	18,122	+20.1
Hamilton	10,082	+2.7	30,663	28,634	+7.1
Homestead	2,937	+12.7	8,808	7,549	+16.7
Lexington	18,644	+0.1	88,798	84,954	+4.5
Lima	12,653	+11.9	41,656	34,177	+21.9
Lorain	4,682	+6.9	14,171	12,457	+13.8
Middletown	10,982	+16.9	34,115	26,796	+27.3
Oil City	9,542	+5.6	30,411	25,933	+17.3
Pittsburgh	650,755	+15.5	1,971,301	1,681,524	+17.2
Sharon	7,338	+4.7	23,729	21,273	+11.5
Springfield	16,303	+2.2	47,099	45,790	+2.9
Steubenville	9,131	+9.7	27,007	23,693	+14.0
Toledo	117,945	+13.2	350,612	308,621	+13.6
Warren	9,490	+17.0	28,383	23,350	+21.6
Wheeling	22,954	—17.8	74,492	81,106	—8.2
Youngstown	43,895	+11.0	140,339	111,758	+25.6
Zanesville	7,597	+0.8	23,368	21,729	+7.5
Total	2,175,304	+11.5	6,629,076	5,844,382	+13.4

Fourth District Business Statistics

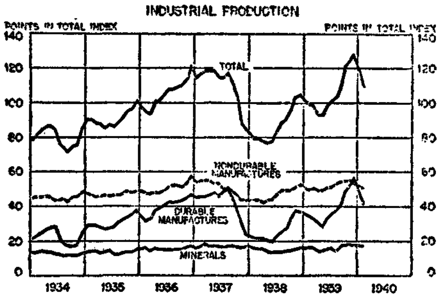
(000 omitted)

Fourth District Unless Otherwise Specified	February 1940	% change from 1939	Jan.-Feb. 1940	% change from 1939
Bank Debits—24 cities	$2,150,000	+17.7	$4,587,000	+16.3
Savings Deposits—end of month:				
40 banks, O. and W. Pa. $	790,255	+1.2	......	....
Life Insurance Sales:				
Ohio and Pa. $	74,970	—2.6	155,262	—14.6
Retail Sales:				
Dept. Stores—52 firms $	17,585	+9.7	35,034	+10.3
Wearing Apparel—12 firms $	649	+5.7	1,345	+3.7
Furniture—39 firms $	749	+21.5	1,341	+16.7
Building Contracts—Total $	18,590	—18.2	43,433	—13.2
" " —Residential $	8,350	+17.3	22,543	+46.6
Commercial Failures—Liabilities $	940	+20.7	1,770	—20.9
" " —Number	53[1]	—18.5	118[1]	—24.8
Production:				
Pig Iron—U. S. Gross tons	2,948	+43.1	6,541	+54.4
Steel Ingot—U. S. Net tons	4,375	+30.7	9,994	+44.8
Auto—Passenger Car—U. S.	337,372[1]	+38.8	700,108[1]	+33.5
Auto—Trucks—U. S.	66,255[1]	+10.0	135,620[1]	+12.2
Bituminous Coal, O., W. Pa., E. Ky. tons	14,212	+18.4	30,142	+22.1
Elec. Power, O., Pa., Ky. thous. k.w.h.	1,986[2]	+16.2	......	....
Petroleum—O., Pa., Ky. bbls.	2,112[2]	—0.3	......	....
Shoes pairs	[3]	+3.0	[3]	—1.2
Tires, U. S. casings	4,911	+16.0	9,887	+13.7

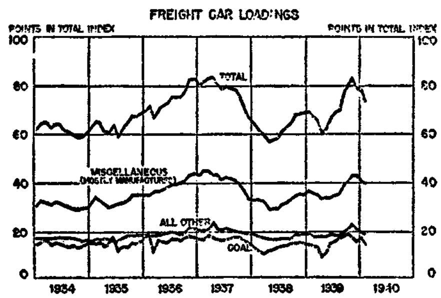
[1]actual number
[2]January
[3]confidential

Summary of National Business Conditions

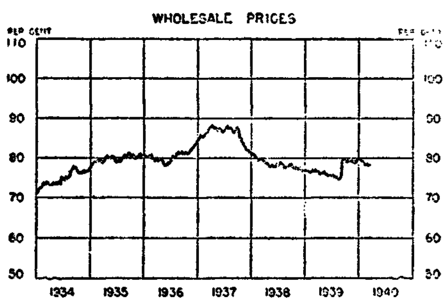
By the Board of Governors of the Federal Reserve System



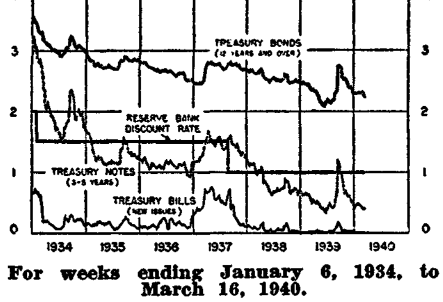
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January 1934 to February 1940. Latest figures—Total 109; Durable 41.3; Nondurable 50.8; Minerals 17.4.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to February 1940. Latest figures—Total 73; Coal 14.3, Miscellaneous 39.6; All Other 19.1.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending March 9, 1940. Latest figure—78.3.



For weeks ending January 6, 1934, to March 16, 1940.

Industrial activity showed a further sharp decline in February and a less marked reduction in the first half of March. Wholesale commodity prices generally were steady, following some decline in January and early February.

Production

In February the Board's seasonally adjusted index of industrial production was 109 per cent of the 1923-1925 average as compared with 119 in January and 128 in December. A further decline at a slower rate is indicated for March on the basis of data now available. In August 1939, the month prior to the outbreak of war, the index was 103.

Steel production, which had risen sharply in the latter part of 1939 and then decreased considerably in January, showed a further marked reduction in February to 69 per cent of capacity. In the first half of March output was steady at a rate of about 65 percent. Plate glass production declined further in February and output of lumber, which had dropped sharply in January, showed less than the usual seasonal rise. Automobile production in February was maintained at the high level prevailing in January. Dealers' stocks of new cars rose to high levels in this period, notwithstanding the fact that retail sales of cars were in large volume for this time of the year. In the first half of March output of automobiles showed less than the customary sharp increase. In some industries not included directly in the Board's production index, particularly the machinery, aircraft, and rayon industries, activity continued at high levels.

Changes in output of nondurable goods were largely seasonal in February except at textile mills and sugar refineries. At cotton textile mills activity declined somewhat from the high levels prevailing since early last autumn. Activity at woolen mills, which had decreased considerably in December and January, declined further in February and output of silk products was reduced to an exceptionally low level. Sugar refining showed less than the sharp rise usual at this season.

Mineral production declined in February, owing chiefly to a considerable reduction in output of anthracite. Bituminous coal production declined somewhat, following a rise in January, while output of crude petroleum increased to new high levels.

Value of construction contract awards in February showed little change from the January total, reflecting a further decrease in contracts for public construction and a contraseasonal increase in private contracts, according to figures of the F. W. Dodge Corporation.

Distribution

Retail distribution of general merchandise showed little change from January to February and remained somewhat below the high level of the latter part of last year, with due allowance for seasonal changes. Sales at variety stores and mail-order houses showed about the usual seasonal rise in February, while at department stores, where some increase is also usual at this time of year, sales remained at about the January level.

Freight-car loadings declined considerably from January to February, reflecting for the most part a sharp reduction in coal shipments and some further decrease in loadings of miscellaneous freight.

Foreign Trade

Exports of United States merchandise in February declined less than seasonally from the high levels reached in December and January. The principal decreases were in shipments of cotton, copper, and aircraft, which had been exceptionally large in previous months. Exports to Japan fell sharply and there were declines also in shipments to the United Kingdom, the Netherlands, and Russia, while exports to Belgium and the Scandinavian countries increased.

Commodity Prices

Prices of nonferrous metals advanced from the middle of February to the middle of March, while steel scrap and textile materials declined somewhat further. Most other commodities showed little change and in the week ending March 9 the general index of the Bureau of Labor Statistics was at 78.3 per cent of the 1926 average as compared with 78.5 a month earlier.

Government Security Market

Following a relatively steady market during February, prices of long-term Treasury bonds increased sharply after the announcement by the Treasury early in March that its operations during that month would be limited to the issuance of a five-year note to refund a note maturing next June.

Bank Credit

Total loans and investments at reporting member banks in 101 leading cities rose during the six weeks ending March 13, largely as a result of increases in investments at New York City banks. Following a reduction during January, commercial loans increased, mostly at banks in cities outside New York. Bank reserves and deposits continued to increase during the period.