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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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The decline in industrial activity in the Fourth Federal Reserve District which occurred during the first quarter of the year appears to have leveled off somewhat in early April. Actual physical volume of production in important lines, without adjusting for seasonal factors, has shown little fluctuation recently, although the usual spring upturn was late in occurring in many industries or failed to appear. In mid-April a few producers reported a slight upturn in new business, but others which thus far had not experienced the general downturn, stated that orders had fallen off.

Steel production throughout the nation fluctuated within a narrow range at about 61 percent of capacity in April, compared with a high of 94 percent last December and an average of 63 percent in March. In this district operations usually follow the national average quite closely, but in February and March they fell below other areas, remaining at about 55 percent of capacity in April.

A slight pickup in steel orders was reported early in April, but they still remained below production and shipments. This low volume of orders and declining operating rates during the first quarter brought about a period of price shading, which was followed by publication of a \$4 per ton reduction in sheet and strip prices in the second week of April. Following this announcement, buying was said to have remained low, but some orders for other than current requirements were placed. Late in the month it was stated that price concessions would be withdrawn after May 1.

Activity in other major fourth district industries was relatively well maintained in March and April. Total industrial employment and payrolls in mid-March were both less than one percent smaller than a month previous. Automobile parts manufacturers, tire producers, and glass factories benefited from the fact that first quarter automobile assemblies were the second largest in history, but April operations in these accessory industries reflected a rather stable volume of automobile assemblies whereas an increase has usually occurred at that time in previous years. Inventories of parts and supplies at assembly plants and parts factories were being reduced in preparation for the close of the current model year.

Machine tool builders reached a new all-time production peak in March as output was expanded in order to make deliveries to aircraft manufacturers on orders placed in prior months. Backlogs were still sufficient to require capacity production for several months. Demand for parts, small tools, and supplies used in construction of aircraft, ships and other war materials was said to be an important

element in sustaining operating rates in many fourth district factories.

Consumers' goods lines reflected limited retail buying in March and April. Department store sales in this district rose less than seasonally in March, and the adjusted sales index fell to 90.5 percent of the 1923-25 average, a drop of over nine points from the December peak. In the first three weeks of April, department store sales in this district expanded somewhat more than seasonally, but they were only 3.4 percent higher than a year ago, whereas the estimated increase in prices is about four percent. The early Easter and extreme cold retarded apparel sales, and women's coat and suit manufacturers and shoe factories reported less than the usual volume of repeat orders. Wool textile mills were shut down late in March and early April after completion of work on spring merchandise. Orders for fall delivery were reported coming in very slowly despite price concessions. Men's clothing plants, on the other hand, stated that new business was substantially above last year.

Paper and boxboard manufacturers, whose orders, production, and shipments had declined steadily during the first quarter, experienced a period of renewed buying in mid-April following extension of the European war to Scandinavia and interruption of paper and pulp imports from that area.

Construction contracts awarded in the fourth district rose sharply in March from the low February volume. Most of the increase was privately-financed home construction, the gain in this type of work being more than seasonal, but the increase in commercial and factory building was also substantial.

The start of the 1940 lake shipping season was unusually late this year as ice blocked most Lake Erie harbors as well as those on upper lakes. A record volume of coal awaited dumping when the season finally opened late in April, and loadings reached near mid-season proportions when ice conditions permitted. Over 1,000,000 tons of coal were dumped in the week ended April 22, as all but two docks on Lake Erie operated. Since then, however, shifting ice fields have continued to prevent full activity. Iron ore carriers are basing plans on a movement of about the same volume as last year.

FINANCIAL

Member Bank Credit Commercial and industrial loans at weekly reporting member banks in leading cities of the fourth district again rose slightly in the first half of April, thus continuing the upward

trend which has been evident since January. On April 17 they amounted to \$277,000,000, a gain of 16 percent over a year ago. Brokers' loans and loans made for the purpose of carrying securities and real estate have shown little change since late in 1938, but there was some expansion in so-called "other" loans in March and early April.

There have been few changes in security holdings of reporting banks thus far in 1940. The volume of direct Federal government obligations held in mid-April was lower than at the beginning of the year because of a decline in note holdings, but fully-guaranteed securities were somewhat higher. Other security investments showed little change.

Adjusted demand deposits at these banks, after a temporary reduction caused by payment of income taxes in March, rose to a new all-time high of \$1,349,000,000 on April 17. This was 15 percent above a year ago. Time deposits, on the other hand, were approximately the same as in April 1939.

Federal Reserve Bank Credit Reserve deposits of member banks in this district rose to a new all-time high in April, and member bank borrowing continued to fluctuate around the low level reached late in March. Federal Reserve holdings of Government obligations were reduced slightly in the first week in April. Direct loans to industry for working capital purposes, which have been declining steadily for several years, rose slightly in April.

Federal Reserve notes issued by the Cleveland bank fell in mid-April to the lowest level since last November, but the dollar volume of notes in circulation still exceeded that of a year ago by eight percent.

MANUFACTURING, MINING

Iron and Steel Publication by all leading steel companies during the second week in April of a \$4 per ton reduction in the price of hot- and cold-rolled sheets and strip, and enameling and alloy-coated grades followed a period of price shading. A small amount of steel was purchased for second quarter requirements following the announcement, but no great amount of forward buying was evident. Late in the month it was announced that former prices would be restored on May 1, but shipments prior to June 30 on orders placed before May would be billed at the lower price.

Demand for structural and concrete reinforcing grades has been slow; year-to-date orders for structurals are 28 percent under last year, while concrete reinforcing orders are down 16 percent. Export business, except where limited by shortage of shipping space, has retained its strong character. A shift to flat-rolled products has been manifest in recent releases for export.

Steel ingot production for the entire country appeared to be leveling off at approximately 60 percent of capacity in the last weeks of April. From a January high of 86.5 percent, operations declined sharply to 61 percent at the close of March. During the month of April there has been a variation of only one point.

Cleveland and Wheeling areas in the fourth district have operated at rates above the national average. The latter area has maintained production at 73 percent of capacity; the former ended March at 69 percent and declined gradually to 65 percent. Pittsburgh mills have operated somewhat

below the national rate, starting the month at 57.5 percent, declining to 53 percent, and recovering to 55 percent. Cincinnati area rate during the third week of April fell to 50 percent due to an equipment breakdown in one of the mills; previously rates as high as 56 percent had been attained. Youngstown production has remained slightly above the 40 percent mark for eleven weeks.

Steel ingot production during March totaled 4,236,050 net tons, or 63 percent of capacity. This compares with February output of 4,374,625 net tons and March 1939 production of 3,814,013 net tons. February operating rate was 69.6 percent of capacity; that for a year ago was 56.3 percent.

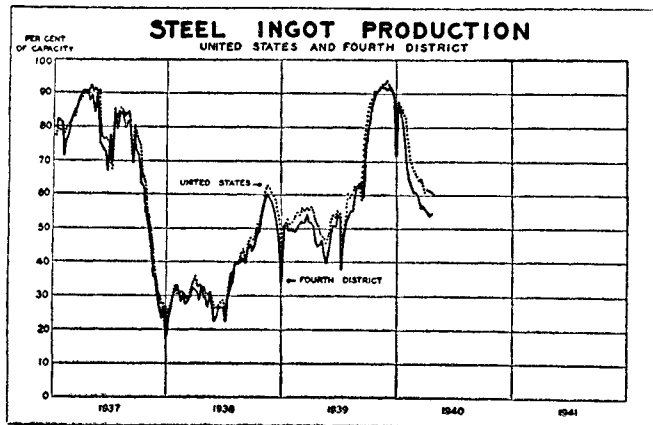
Prices of steelmaking grades of scrap continued to decline during April. *Steel* magazine's composite dropped from \$16.17 at the end of March to \$16.00 the last week in April. Although most mills are taking regular deliveries on contracts, consumer demand is dull. Most melters are said to have made sufficient commitments for current needs, but dealers doubt that large tonnages of scrap would be available at present prices.

A 50-cent per ton reduction under 1939 quotations on Lake Superior iron ores has been announced. This cut restores ore prices to the level maintained for eight years prior to 1937 and more closely relates them to prevailing prices of pig iron. Supplementing the reduction in ore prices, leading Great Lakes vessel interests have shaved ore carrying charges ten cents per ton.

There are 298 boats available for transporting ore at the start of a late shipping season, six less than at the beginning of the 1939 season. However, their capacity of 2,722,740 tons is down only 1.7 percent from last year.

Consumption of Lake Superior iron ore in March totaled 4,087,767 gross tons, an increase of 23.2 percent over the 3,316,691 gross tons used in March 1939. Stocks of iron ore on hand at furnaces and on Lake Erie docks amounted to 21,862,302 gross tons on April 1, compared with 25,872,124 tons a year ago. As of March 31, 119 of the 189 furnaces dependent on Lake Superior ores were in blast as compared with 122 on February 29, and 97 a year previous.

While about 50 percent of United States ingot capacity is located in the fourth district, review of individual mill finishing capacities as reported in the *Iron and Steel Works Directory* reveals that 65 percent of the nation's sheet and strip steel producing capacity is concentrated here. Sheet-finishing capacity of the fourth district companies totaled 14,159,376 net tons on January 1, 1939, the latest date for which complete data are available and since which time



few mill changes have been made; national sheet and strip-finishing capacity was then 21,771,228 net tons. Representing 39.4 percent of the reporting companies' ingot capacity in the fourth district, the importance of sheet and strip steel in this area is emphasized by comparison to the nation's sheet and strip finishing capacity which is only 26.7 percent of United States ingot capacity.

Capable of producing nearly two-thirds of the country's sheet and strip requirements, activity of fourth district mills is closely related to production schedules of large sheet and strip consumers, chiefly the automobile industry which, in the years since 1937, has taken approximately 18 percent of all iron and steel products and 35 percent of all flat-rolled products.

The accompanying chart of Steel Ingot Production—United States and Fourth District—shows that in the period surveyed operations of local mills tend not to rise to peaks achieved by the industry and to fall more precipitously. Most noticeable is the lag in fourth district operations during the first quarters of all years under study, but particularly in 1939 and 1940. Two facts are partially responsible. Movements of the composite of only a few factors in a grand total tend to be less stable and to move more sharply than the sum of all factors; two companies in the Chicago and Detroit areas have enjoyed favored positions as suppliers to the automotive industry since the abolition of basing point differentials in early 1938 because of geographic location and accessibility to the automotive district. Specialization in sheets and strip, products used principally by manufacturers of consumer goods, has made fourth district steel companies more sensitive to short-term business movements than is the entire industry.

Coal Proposed minimum prices for the bituminous coal industry were filed with the director of the bituminous coal division of the Department of Interior in mid-April, but they will not become effective until hearings are held and prices are finally promulgated by the director of the division. Under the Guffey Coal Act, producers may sell at prices above the official minimum, but if they sell at lower prices they must pay a tax of 19.5 percent, and any competitor injured by the sale at less than established prices may recover triple damages. Recommendations cover all coals mined in the country and include minimum prices for each separate kind, quality, and size of coal produced at each mine operated by the more than 13,500 members of the bituminous coal code.

Recommended prices would give the industry an estimated minimum national income of \$2.072 per ton at the mine,

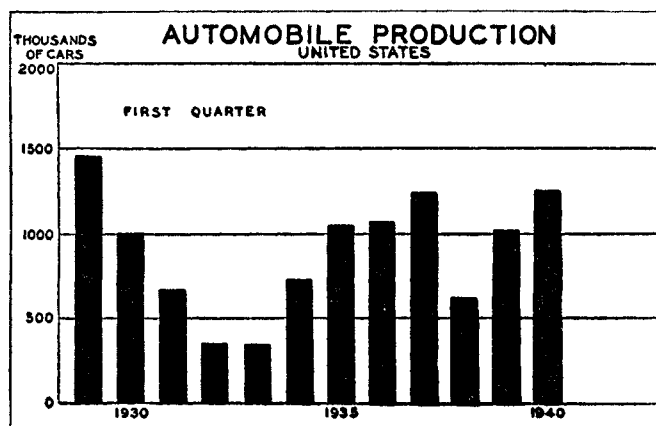
compared with an average 1937 price of \$1.964 per ton, and estimated average cost of \$2.088. Mines in the fourth district would receive an average price of \$2.088 compared with an estimated average cost of \$2.128. Proposed minima range from a low of ten cents per ton for inferior grades to a high of \$4.80. In some cases they are above current quotations, whereas in others they are lower than present selling prices. It is estimated that industrial users will experience a greater increase in coal costs under proposed prices than will domestic consumers.

Operating rates at fourth district mines do not yet indicate much stocking of coal in anticipation of higher prices, there being only a few isolated instances of forward purchases attributed to this factor. Production in March was lower than in February, falling to approximately the same level as a year ago, and there was further reduction early in April. Lake shipping, which usually sustains output at this time of year, was unusually late in starting because ice blocked most harbors, and coal piled up at lake docks. When coal dumping finally got under way late in April, it was estimated that approximately 50,000 cars awaited unloading at lower lake ports. This was the largest amount in history, and had caused mine operators to ease up on shipments.

Automobiles Total output of passenger cars and trucks in the United States during the first quarter of the year was the largest since 1929, and the second greatest in history. Total factory sales amounted to 1,259,027 units, a gain of 24 percent over 1939. Domestic retail sales during this period were also the second largest on record, exceeding last year's volume by 29 percent, but production for the domestic market exceeded retail deliveries by more than 200,000 units, and inventories in dealers' hands reached record levels at the end of the quarter. Partly because of this situation, the gain in March assemblies over February was less than seasonal, and weekly estimates showed that production during April also failed to rise as much as is usual at that time of year. In the first three weeks of the month, however, total output was still 16 percent larger than in corresponding weeks last year. Despite a fairly high level of retail sales early in April, dealers' stocks again turned upward after having been reduced slightly in the last ten days of March.

Most of the gain in automobile production in the first quarter of the year over 1939 was caused by increased output of passenger cars. Truck production during this period was 206,446 units, compared with 193,166 a year ago, a gain of only seven percent. War buying of trucks was insufficient to bring exports of commercial vehicles up to the level of other recent years, and foreign sales were eight percent lower than in 1939 and 16 percent below 1938. Sales of passenger cars to foreign nations showed a much sharper reduction, falling 36 percent below last year and 43 percent below 1938.

Parts makers in this district reported in mid-April that shipments to assembly plants, which are usually higher at that time than in March, were proceeding at about the same level as a month previous. Automobile manufacturers were said to be reducing inventories earlier than has been their custom in the past, so that by mid-April releases were being closely geared to assembly schedules. In some cases a sharp increase in requests for deferred shipments was noted. Parts makers were also reducing inventories in



preparation for the close of the current model year, and buying for future requirements of both assembly plants and parts makers was conservative.

Rubber, Tires Sustained demand from automobile manufacturers and further accumulation of tire inventories prior to expected seasonal expansion in sales to the replacement market accounted for maintenance of relatively high operating rates in the tire and rubber industry in March and early April. Crude rubber consumption in March was again more than 50,000 tons, thus bringing first quarter use of this important raw material to within one percent of the all-time record established in 1937. Tire production in March amounted to 5,031,000 casings, a slight gain over the January-February level, and nearly 700,000 units larger than manufacturers' shipments. Tire stocks, therefore, again advanced.

Shipments to automobile manufacturers remained heavy during March and early April, but renewal tire sales advanced less than seasonally in March as cold weather retarded tire consumption. Sales to dealers and consumers were under a year ago. In mid-April, however, manufacturers reported the usual expansion in replacement tire sales. Demand for mechanical rubber goods was also said to have turned up in April after a steady decline during the first quarter.

Tire prices, which, despite sharply advancing raw material costs, had been reduced last fall after a prolonged period of price weakness, were revised upward early in April, but the increases did not restore consumer lists prevailing a year ago. Dealers were reclassified in such a way as to reduce the number securing the largest discounts, thus raising returns to manufacturers. Prices charged automobile manufacturers also were increased somewhat.

Raw material costs advanced again in mid-April as intensification of war in Europe was accompanied by advancing crude rubber and cotton prices. Crude rubber prices, which had been quite stable at about 16.5 cents per pound in the year before outbreak of hostilities in September, had risen to a peak of 24 cents in September, but thereafter they declined and fluctuated within a narrow range at about 18.5 cents during the first quarter of this year. In April they rose about one cent following intensification of warfare in northern Europe. Stocks available in the United States are sufficient for only about three months' operations at the current level of consumption.

Textiles and Clothing Many fourth district textile mills and clothing plants were shut down or operating on reduced schedules during the latter part of March and the first three weeks in April. Textile mills and women's apparel manufacturers had finished work on spring merchandise and the transition to fall lines had not yet been made. Employment figures, therefore, reflected this decline in operating rates. At the beginning of April the number employed in eleven Cleveland textile and clothing plants was ten percent smaller than a month earlier. Men's clothing plants, on the other hand, operated close to capacity through March, and employment in Ohio factories in the middle of the month rose to the highest level in more than two years.

Fall woolen and worsted goods prices announced in March were higher than those prevailing a year ago, but in most cases they were lower than those obtained for corresponding

spring fabrics. This development reflected the fact that prices of domestic wools had fallen considerably below fall peaks. In mid-April wool textile manufacturers reported that orders for fall delivery were coming in very slowly despite these price reductions, and that as a result they were buying very little raw material and attempting to reduce inventories. Wool prices showed little net change in March and the first three weeks of April.

Nearly all women's coat and suit manufacturers were shut down in April following an unusually short spring season. The early Easter and late spring had retarded retail apparel sales, and reorders were almost entirely lacking. Fall lines had not yet been completed in late April.

Operations at men's clothing plants were fairly well maintained in April following peak production in March. As in the case of women's apparel, however, reorders for spring merchandise were in low volume. Makers of men's specialty summer clothing continued to operate at capacity, and shipments were far above last year. Other manufacturers were taking orders for fall delivery, with prices somewhat lower than those which prevailed in the spring season just closed. Orders were said to be well above those of a year ago. Men's work clothing makers reported little change in their business during the past month. Shipments were proceeding on a uniform basis, and a backlog of orders still existed.

Other Manufacturing Conditions in other important fourth district manufacturing lines varied widely in March and the early part of April. In some fields operations continued to expand, whereas in others relative stability prevailed. In mid-April, however, there were more reports of declining business or failure of the usual spring upturn to appear than was the case a month earlier.

Machine tool activity rose to a new peak of 93.4 percent of capacity in March as shops not already working at capacity expanded production in order to deliver machines ordered in prior months. Despite the unusually high rate at which machine tools have been produced since last fall, order backlogs are still large enough to assure capacity operations for several months, and in some cases they were said to have expanded slightly in the first quarter. New business in March, however, was lower than in preceding months and this decline in orders continued in the early part of April as both foreign and domestic sales fell off. Large prospective orders from airplane manufacturers were pending conclusion of negotiations for additional Allied plane purchases. Most new orders from domestic sources were said to reflect war influence, either in the form of purchases by aircraft manufacturers or makers of precision equipment.

Small tool makers also reported a large part of their output was absorbed by industries manufacturing war equipment. Sales in the first quarter of the year, therefore, were considerably higher than in 1939, and rose somewhat in March and early April. Bolt and nut manufacturers stated that the general decline in industrial activity had resulted in a steady decline in their sales during the first quarter, but that orders had leveled off in the first half of April.

The *Foundry Equipment Manufacturers Association* reported a sharp expansion in new orders for foundry equipment in March. Both new orders and backlogs rose to the largest monthly total since 1937. Nevertheless, ship-

ments continued the steady decline from last December's peak.

Large manufacturers of electrical equipment also reported a gain in new business during March, and in some cases backlogs were said to be the largest in history. Employment and payrolls in Ohio electrical machinery plants rose to a two-year peak, with the number of workers ten percent larger than a year ago. Sales of household equipment were strong throughout the first quarter, with refrigerator sales stimulated by price reductions. Manufacturers' shipments of vacuum cleaners in the first three months of the year were 20 per cent larger than in 1939, but sales of washing machines and ironers advanced less than seasonally in March and were under a year ago. Sewing machine manufacturers reduced operations slightly in March following a period of unusually high production.

Makers of heavy forgings and stampings, engineering appliances, and brass products reported a steady decline in sales during the first quarter, and this falling-off continued in the first half of April. Backlogs had been reduced and in some cases inventories built up, but operations were still higher than a year ago.

Office equipment manufacturers reported little change in sales volume during March and early April, with production being maintained at about the same level as in January and February. Domestic shipments thus far in 1940 range from 10 to 30 percent better than a year ago, and backlogs are said to be sufficient to require current production schedules to be maintained for several months.

The steady decline in demand for building glass which occurred in February continued in March and the first half of April, when sales usually expand. Window glass production, therefore, was curtailed late in March, but total output for the month amounted to 1,107,000 boxes, up slightly from February when some plants were closed during an industrial dispute, and 21 percent higher than a year ago. Plate glass manufacturers also reported in mid-April that a decline in new business had resulted in curtailment of production and shipments following an upturn in March which had been caused by sustained automotive demand. By mid-April, automobile manufacturers were said to have reduced glass inventories to a minimum, and glass shipments were being closely related to automobile assemblies. Stocks in manufacturers' hands were larger than at the beginning of the year. Glass container manufacturers reported less than seasonal expansion in sales early in April, and operating rates were about ten percent lower than a year ago. This is the first time since 1938 that the industry has produced at a lower rate than in the corresponding month of the preceding year.

In the dinnerware branch of the ceramics industry a marked decline in new business was said to have occurred late in March and the first half of April. In mid-April production and shipments were from 15 to 20 percent lower than a month earlier, but about the same as a year ago.

The downward trend in orders, production, and shipments in the paper, paperboard, and box industry continued without interruption during March and early April as consumers reduced inventories built up during the period of heavy buying last fall. At that time prices of both raw materials and finished products rose sharply, but they declined during the first quarter as buying fell off. In mid-April a sharp reversal of the downward trend occurred when the European

war spread into Scandinavia, thus cutting off shipments of wood pulp from Sweden and Norway. Raw material prices advanced and consumers placed large orders for paper products. Mill stocks of raw materials were said to be sufficient for current requirements.

Printing plants and lithographers reported in mid-April that the usual spring upturn had not occurred, but operations had not declined.

Shoe production in the fourth district was curtailed in March and April following a disappointing spring season. The early Easter, combined with a late spring, retarded retail sales and the customary volume of reorders was not received. Output during March, therefore, was 20 percent smaller than a year ago, whereas the decline for the first quarter was nine percent. In mid-April manufacturers reported that inventories of finished merchandise were at seasonal low levels.

TRADE

Retail

Retail trade in the fourth district did not come up to seasonal expectations in March. After adjusting for usual seasonal factors and the early Easter, the index of department store sales declined for the third successive month to 90.5 percent of the 1923-25 average, a drop of over nine points from the December high, and less than a point above March 1939. Sales of wearing apparel were sharply below last year, and electrical appliances failed to maintain a large February gain.

The decline in apparel sales was attributed to the early Easter and severe cold which prevailed throughout March, for sales of strictly seasonal merchandise showed the largest declines as compared with last year. Sales of women's and misses' coats and suits at fourth district department stores and wearing apparel shops, for example, were 20 percent lower than a year ago. Men's clothing sales at these stores were up only four percent over March 1939, whereas a gain of over twelve percent was reported for the first two months of 1940.

Retail grocery sales, on the other hand, were well maintained in March. Total dollar volume of reporting fourth district chains was nine percent larger than a year ago, compared with a ten percent gain for the first quarter.

Department store inventories, after rising more than seasonally in February, advanced somewhat less than usual in March. At the beginning of April their retail value was about eight percent larger than a year earlier, but approximately half of this increase is attributable to higher prices than prevailed in 1939. *Fairchild Publications* report that retail prices rose for the ninth successive month in March, and on April 1 they were 4.2 percent higher than a year ago.

The usual decline in relative importance of installment sales at department stores occurred in March. Collections were not quite as good as a year ago.

Wholesale

Wholesale trade also rose less than seasonally in March as many firms stated they were experiencing the effect of the general downturn in industrial activity, but unfavorable weather was said to be a contributing factor. Total sales of 226 fourth district firms reporting to the *Department of Commerce* were 1.7 percent under a year ago, whereas a gain of twelve percent was recorded in January and Febru-

ary. Large losses were reported by clothing and furnishings houses and lumber and building supply dealers. Paint sales were off 13 percent as outside work was retarded by the late spring.

Grocery firms reported a substantial decline in sales during March and early April, with dollar volume falling below both February and a year ago. Intensification of war in northern Europe was accompanied by moderate price advances on certain staple foods. Electrical equipment dealers reported a March gain of only ten percent over a year ago, whereas the average advance for the first quarter was 18 percent. In mid-April it was stated that the customary spring pickup in demand had not occurred. Shipments from manufacturers were prompt and dealers were reducing stocks of materials.

Inventories of all reporting firms rose somewhat in March. At the end of the month they were ten percent larger than a year ago.

CONSTRUCTION

The value of new construction started in the fourth district during March rose sharply over the low February total, and slightly exceeded that of a year ago. Total construction contracts awarded in this district, according to the *F. W. Dodge Corporation*, amounted to \$28,000,000, a gain of 50 percent over February and three percent over March of last year.

Although public activity rose slightly during March, most of the gain was in the private field, where expansion was greater than seasonal. No breakdown between public and private work is available on a strictly district basis, but the *F. W. Dodge Corporation* compiles data showing this division for its Pittsburgh, Cleveland, and Cincinnati territories, which include all of the states of Ohio, Kentucky, and West Virginia, and the western part of Pennsylvania. The value of private and total construction contracts awarded in this area is shown in the accompanying chart. Contracts for a large T.V.A. dam in western Kentucky which were included in the December 1939 figures were eliminated in the chart.

It is apparent that public construction has fallen off considerably from the high level attained at the end of 1938 when a large P.W.A. program was being instituted. Private building, on the other hand, was well maintained throughout 1939, and after a seasonal slackening in the winter months, rose again in March to about the same level as the largest monthly total last year and 30 percent above March 1939. A large part of the recent gain was in the residential field, particularly one-family houses, but private nonresidential building in the first quarter of the year was 57 percent larger than in 1939.

Despite the increased volume of construction contracts awarded in March, lumber and building supply dealers reported that deliveries lagged because of unfavorable weather, and March sales of wholesale lumber dealers reporting to the *Department of Commerce* were 27 percent lower than a year ago. In mid-April dealers stated that many orders were on the books, but deliveries were still delayed pending advent of favorable weather.

AGRICULTURE

The general level of farm prices was little changed from mid-March to mid-April, but subsequently prices of several important agricultural commodities rose sharply following intensification of war in northern Europe and reports of

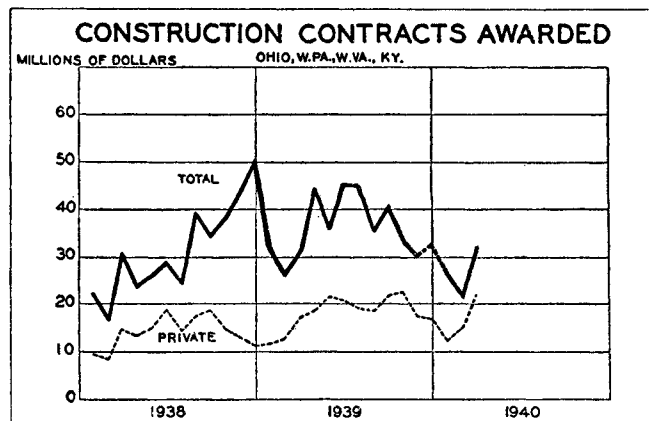
relatively small prospective crops both here and abroad. Hog prices, which had fallen to the lowest point since 1934 early in April, turned upward, and prices of beef cattle also rose. In general, however, prices of meat animals were still far below those prevailing a year ago. Wheat prices rose to the highest level in three years, and corn prices also advanced despite reports that the carry-over from last year's crop would be the largest on record.

In this district preparations for the current crop year lagged during March and April as the late spring retarded spring work. Tobacco beds were planted late, but appear to be little damaged by cold weather. Pastures have been slow in starting. In Ohio they were only 73 percent of normal on April 1, compared with 83 percent last year at the same time. Wheat came through the winter in fair shape, but indicated yields are lower than those obtained in 1939. Fruit crops had not yet advanced far enough in late April to be seriously endangered by frosts.

Wheat On April 1 the indicated yield of winter wheat in Ohio was 17.5 bushels per acre, compared with actual production of 18.2 bushels per acre last year and 19.4 bushels the ten-year 1929-38 average. This decline in indicated yield and a smaller acreage lowered expected production to only 34,510,000 bushels, a drop of 14 percent from the ten-year average. Nevertheless, Ohio was expected to be the second largest winter wheat producing state, being exceeded only by Kansas. Extremely dry weather last fall in important producing areas lowered prospective yields throughout the nation to an average of only 9.5 bushels per acre, compared with 12.2 bushels last year, and indicated harvest of winter wheat fell to only 426,215,000 bushels, about one-fourth less than last year and the ten-year 1929-38 average.

Corn and Feeding Although feeding operations in this district have been relatively heavy, stocks of corn on Ohio farms on April 1 were approximately the same as last year. In the entire country, however, total corn stocks were the largest on record. Since more than one-third of the available supply has been sealed under Government loans, the quantity of unsealed corn on April 1 was about 15 percent lower than a year ago.

The number of cattle on feed in Ohio on April 1 was about the same as last year, whereas in the entire country the number was slightly larger than in 1939. Country bankers reported they were experiencing less than the usual demand for feeder loans to finance purchases of western cattle since farmers considered the price spread between feeder stock and finished cattle inadequate in view of relatively high prices for feed grains. The unfavorable



corn-hog ratio has resulted in early marketings of hogs, the average weight being somewhat lighter than last year. Federally inspected hog slaughter in the first six months of the 1939-40 hog year (October-March) exceeded that of last year by 23 percent, compared with an increase of only 20 percent in the spring pig crop over 1938. Part of the increase is attributed to the fact that during the past three months there has been a somewhat larger proportion of packing sows in total marketings than a year ago.

Tobacco Sales data indicate that the 1939 crop of burley tobacco was larger than at first estimated. Total output is now placed at 390,000,000 pounds, a gain of 15 percent over last year and, except for 1937, the largest crop since 1931. This production, together with 1939 stocks, brought the 1939 supply to the highest level since the record supply of 1933. It was 3.4 times as large as 1938 disappearance. Returns to growers for the 1939 crop were about \$68,000,000, compared with \$64,000,000 in 1938 and \$81,000,000 in 1937. Marketing quotas for 1940 have been set at about 315,000,000 pounds, approximately the same as 1938 disappearance, but 19 per cent below estimated 1939 production.

Fourth District Business Statistics

| Fourth District Unless Otherwise Specified | (000 omitted) | | Jan.-Mar. 1940 | % change from 1939 |
|--|----------------------|--------------------|------------------------|--------------------|
| | March 1940 | % change from 1939 | | |
| Bank Debits—24 cities | \$2,379,000 | +12.8 | \$6,966,000 | +15.1 |
| Savings Deposits—end of month: | | | | |
| 40 banks, O., and W. Pa. | \$ 790,350 | + 1.2 | 1 | 1 |
| Life Insurance Sales: | | | | |
| Ohio and Pa. | \$ 81,409 | —0— | 236,671 | —10.1 |
| Retail Sales: | | | | |
| Dept. Stores—52 firms | \$ 21,481 | + 3.4 | 56,616 | + 7.4 |
| Wearing Apparel—12 firms | \$ 975 | + 0.1 | 2,322 | + 2.3 |
| Furniture—39 firms | \$ 714 | + 1.4 | 2,056 | +10.9 |
| Building Contracts—Total | \$ 28,004 | + 2.9 | 71,437 | + 7.5 |
| —Residential | \$ 12,383 | + 6.6 | 34,926 | +29.3 |
| Commercial Failures—Liabilities | \$ 1,432 | —13.6 | 3,202 | —17.8 |
| —Number | 78 ² | + 2.6 | 196 ² | —14.0 |
| Production: | | | | |
| Pig Iron—U. S. Net tons | 3,271 | +22.1 | 10,599 | +42.8 |
| Steel Ingot—U. S. Net tons | 4,236 | +11.1 | 14,230 | +32.8 |
| Auto—Passenger Car—U. S. | 352,473 ² | +17.6 | 1,052,581 ² | +27.7 |
| Auto—Trucks—U. S. | 70,826 ² | — 2.0 | 206,446 ² | + 6.9 |
| Bituminous Coal, O., W. Pa., E. Ky. | 13,406 | — 0.4 | 43,548 | +14.1 |
| Cement—O., W. Pa., W. Va. bbls. | 763 | +34.6 | 2,019 | +85.2 |
| Elec. Power, O., Pa., Ky. | | | | |
| —thous. k.w.h. | 1,788 ³ | +13.9 | 3,774 ⁴ | +15.1 |
| Petroleum—O., Pa., Ky. bbls. | 2,161 ³ | +15.5 | 4,273 ⁴ | + 7.1 |
| Shoes | 5 | —20.0 | 5 | — 9.1 |
| Tires, U. S. casings | 5,031 | — 1.2 | 14,918 | + 7.0 |
| Bituminous Coal Shipments: | | | | |
| L. E. Ports | 76 | —70.3 | 83 | —77.4 |

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

Debts to Individual Accounts

(Thousands of Dollars)

| | 4 Weeks ended April 17, 1940 | % change from 1939 | Year to Date | | % change from 1939 |
|--------------|------------------------------|--------------------|--------------------------------|--------------------------------|--------------------|
| | | | Dec. 28, 1939 to Apr. 17, 1940 | Dec. 29, 1938 to Apr. 19, 1939 | |
| Akron | 65,533 | + 3.5 | 255,225 | 232,398 | + 9.8 |
| Butler | 8,467 | — 0.6 | 35,325 | 31,547 | +12.0 |
| Canton | 34,982 | + 8.6 | 139,416 | 121,019 | +15.2 |
| Cincinnati | 317,297 | + 9.9 | 1,232,263 | 1,139,404 | + 8.1 |
| Cleveland | 526,944 | +12.5 | 2,190,003 | 1,922,906 | +13.9 |
| Columbus | 180,887 | +19.9 | 674,276 | 605,014 | +11.4 |
| Dayton | 70,160 | +16.0 | 261,582 | 229,892 | +13.8 |
| Erie | 26,103 | +11.0 | 105,692 | 93,674 | +12.8 |
| Franklin | 2,598 | + 9.8 | 11,550 | 9,530 | +21.2 |
| Greensburg | 6,669 | +18.1 | 28,432 | 23,771 | +19.6 |
| Hamilton | 10,292 | + 5.1 | 40,955 | 38,424 | + 6.6 |
| Homestead | 3,305 | +16.7 | 12,113 | 10,382 | +16.7 |
| Lexington | 17,234 | + 3.1 | 106,032 | 101,675 | + 4.3 |
| Lima | 13,449 | + 7.3 | 55,105 | 46,713 | +18.0 |
| Lorain | 4,592 | + 3.2 | 18,763 | 16,908 | +11.0 |
| Middletown | 10,090 | + 9.1 | 44,205 | 36,046 | +22.6 |
| Oil City | 8,725 | + 5.7 | 39,136 | 34,187 | +14.5 |
| Pittsburgh | 606,598 | +14.7 | 2,577,899 | 2,210,291 | +16.6 |
| Sharon | 7,292 | + 2.7 | 31,021 | 28,376 | + 9.3 |
| Springfield | 16,316 | + 3.7 | 63,415 | 61,519 | + 3.1 |
| Steubenville | 9,071 | + 7.5 | 36,078 | 32,132 | +12.3 |
| Toledo | 115,988 | + 9.9 | 466,600 | 414,136 | +12.7 |
| Warren | 10,180 | + 9.7 | 38,563 | 32,627 | +18.2 |
| Wheeling | 24,083 | —17.2 | 98,575 | 110,188 | —10.5 |
| Youngstown | 46,099 | + 9.0 | 186,438 | 154,053 | +21.0 |
| Zanesville | 8,107 | +10.4 | 31,475 | 29,073 | + 8.3 |
| Total | 2,151,061 | +11.9 | 8,780,137 | 7,765,885 | +13.1 |

Fourth District Business Indexes

(1923-25 = 100)

| | Mar. 1940 | Mar. 1939 | Mar. 1938 | Mar. 1937 | Mar. 1936 |
|--------------------------------------|-------------------------|-----------|-----------|-----------|-----------|
| | Bank debits (24 cities) | 88 | 78 | 74 | 99 |
| Commercial Failures (Number) | 53 | 52 | 57 | 49 | 49 |
| (Liabilities) | 33 | 38 | 45 | 21 | 41 |
| Sales—Life Insurance (O. and Pa.) | 85 | 85 | 81 | 110 | 92 |
| —Department Stores (47 firms) | 86 | 82 | 76 | 95 | 68 |
| —Wholesale Drugs (9 firms) | 113 | 120 | 107 | 117 | 100 |
| —Dry Goods (8 firms) | 46 | 47 | 43 | 58 | 47 |
| —Groceries (56 firms) | 66 | 70 | 72 | 84 | 71 |
| —Hardware (45 firms) | 74 | 71 | 72 | 99 | 73 |
| —All (118 firms) | 69 | 71 | 71 | 86 | 70 |
| —Chain Drugs (4 firms)** | 98 | 1 | 90 | 100 | 88 |
| Building Contracts (Total) | 59 | 57 | 54 | 56 | 37 |
| (Residential)** | 72 | 68 | 40 | 50 | 29 |
| Production—Coal (O., W. Pa., E. Ky.) | 74 | 74 | 55 | 110 | 64 |
| —Cement (O., W. Pa., E. Ky.) | 63 | 47 | 38 | 57 | 16 |
| —Elec. Power (O., Pa., Ky.)* | 213 | 187 | 166 | 184 | 160 |
| —Petroleum (O., Pa., Ky.)* | 117 | 101 | 115 | 112 | 101 |
| —Shoes | 110 | 137 | 131 | 162 | 117 |

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

Wholesale and Retail Trade

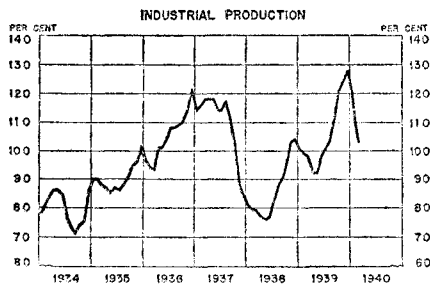
(1940 compared with 1939)

| DEPARTMENT STORES (52) | Percentage Increase or Decrease | | |
|------------------------------------|---------------------------------|----------------------|-------------------|
| | SALES March 1940 | SALES first 3 months | STOCKS March 1940 |
| Akron | + 2.6 | + 8.4 | +13.2 |
| Cincinnati | + 8.6 | +10.0 | + 3.5 |
| Cleveland | — 0.5 | + 6.2 | + 9.9 |
| Columbus | +10.3 | + 9.8 | +13.9 |
| Erie | + 9.0 | +10.0 | + 3.1 |
| Pittsburgh | + 2.6 | + 6.7 | + 4.9 |
| Toledo | — 1.9 | + 5.0 | + 9.2 |
| Wheeling | + 3.9 | + 3.5 | + 8.5 |
| Other Cities | + 2.9 | + 9.2 | +15.0 |
| District | + 3.4 | + 7.4 | + 8.0 |
| WEARING APPAREL (12) | | | |
| Cincinnati | + 1.7 | + 3.2 | — 6.5 |
| Cleveland | — 7.8 | + 0.7 | — 2.5 |
| Pittsburgh | — 3.7 | — 0.9 | + 7.0 |
| District | + 0.1 | + 2.3 | — 1.8 |
| FURNITURE (39) | | | |
| Cincinnati | + 1.4 | + 6.9 | |
| Cleveland | + 2.2 | +18.5 | |
| Columbus | — 4.6 | — 5.6 | |
| Dayton | +21.5 | + 5.2 | |
| Toledo | — 0.5 | +14.4 | |
| Other Cities | — 8.5 | + 6.0 | |
| District | + 1.4 | +10.9 | |
| CHAIN STORES* | | | |
| Groceries—District (4) | +12.7 | +13.7 | |
| WHOLESALE TRADE** | | | |
| Automotive Supplies (9) | + 0.6 | +20.5 | — 1.6 |
| Beer (6) | + 8.2 | + 5.1 | +41.7 |
| Clothing and Furnishings (5) | —18.3 | —10.5 | 1 |
| Confectionery (3) | — 0— | + 4.4 | 1 |
| Drugs and Drug Sundries (9) | — 5.8 | + 0.7 | +11.4 |
| Dry Goods (8) | — 0.7 | + 7.6 | +13.0 |
| Electrical Goods (11) | + 9.7 | +18.5 | + 6.2 |
| Fresh Fruits & Vegetables (8) | —10.7 | — 2.7 | —15.4 |
| Grocery Group (56) | — 6.3 | + 2.2 | + 4.4 |
| Total Hardware Group (45) | + 5.0 | + 9.1 | +11.5 |
| General Hardware (9) | — 1.0 | + 0.8 | +14.4 |
| Heavy Hardware (4) | +14.3 | 1 | 1 |
| Industrial Supplies (17) | +11.0 | +21.0 | — 0.3 |
| Plumbing & Heating Supplies (15) | + 3.3 | +11.5 | +16.7 |
| Jewelry (5) | +16.7 | 1 | + 1.6 |
| Lumber and Building Materials (4) | —26.7 | —12.4 | 1 |
| Meats and Meat Products (6) | — 0.3 | + 8.8 | +21.6 |
| Paints and Varnishes (6) | —13.4 | + 1.6 | +14.0 |
| Paper and its Products (6) | — 1.9 | + 8.2 | 1 |
| Tobacco and its Products (20) | + 1.8 | + 5.3 | — 8.0 |
| Miscellaneous (19) | + 2.7 | +14.8 | +12.1 |
| District—All Wholesale Trade (226) | — 1.7 | + 5.8 | + 9.9 |

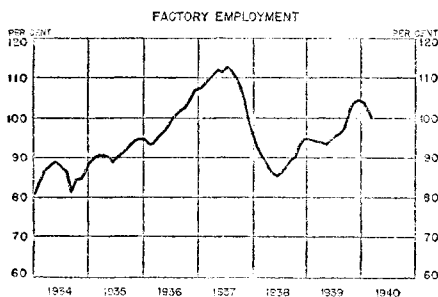
*Per individual unit operated.
**Wholesale data compiled by U. S. Department of Commerce.
¹Not available.
Figures in parentheses indicate number of firms.

Summary of National Business Conditions

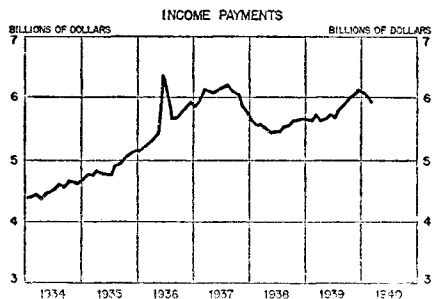
By the Board of Governors of the Federal Reserve System



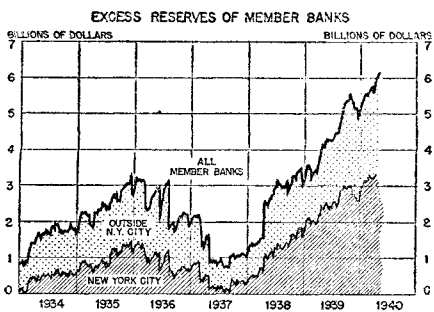
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to March 1940. Latest figure—103.



Index of number employed, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to March 1940. Latest figure—100.3.



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January 1934 to March 1940.



Wednesday figures partly estimated, January 3, 1934, to April 24, 1940 for total, April 10 for New York. Latest figure—total, \$6,120,000,000.

Industrial activity continued to decline during March but at a somewhat slower rate than in the preceding two months, and in the first half of April there was little further decrease. Wholesale prices of basic commodities decreased somewhat in the latter half of March but recovered by the middle of April. Distribution of commodities to domestic consumers continued in large volume, and exports were at the high levels reached last December.

Production

The Board's index of industrial production, which is adjusted for usual seasonal variations and for the number of working days, was 103 in March compared with 109 in February. The decline reflected chiefly a further reduction in output of steel and considerable decreases in activity at cotton and woolen textile mills.

Steel ingot production declined from an average of 69 per cent of capacity in February to an average of 64 per cent in March. In the first half of April output was at around 61 per cent of capacity. Automobile production in March and the first half of April was maintained at the high rate prevailing during January and February but did not show the increase customary at this season. Retail sales of automobiles continued in large volume, and dealers' stocks of new cars declined somewhat from the high level reached earlier. In the machinery industries activity showed some decline from the high rate of other recent months, while at aircraft factories and shipyards activity continued at peak levels. Output of lumber and plate glass advanced seasonally in March.

In the woolen textile industry, where activity had been declining from the high level reached last November, there was a further sharp reduction in March. Activity at cotton textile mills also declined considerably but remained at a somewhat higher level than prevailed a year ago. Shoe production likewise declined considerably in March. At silk mills activity remained at an exceptionally low level, while rayon production was large.

Mineral production was maintained in large volume in March. There was some further reduction in output of bituminous coal, but output of anthracite increased, following a sharp decline in February. Crude petroleum production continued at record levels.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased considerably in March, as is usual at this season. The increase was principally in awards for private work, which in March approximately equalled those in the corresponding period last year. Public awards increased somewhat, following declines in January and February, but were in smaller volume than a year ago. Private residential building rose by about the usual seasonal amount.

Distribution

Sales of general merchandise at department and variety stores and by mail-order houses increased by about the usual seasonal amount from February to March, with allowance for the earlier date of Easter this year. In the first week of April sales at department stores were at a higher level than in March.

Freight-car loadings showed little change from February to March, although a rise is usual between these months. Shipments of miscellaneous freight showed considerably less than the usual seasonal increase, and there was some further decline in loadings of coal.

Foreign Trade

Exports of United States merchandise in March continued near the high level reached last December. Agricultural exports, principally cotton, decreased from February to March, while there were substantial increases in shipments of commercial vehicles and in metal working, agricultural, and other types of machinery.

During March, the country's monetary gold stock increased by \$256,000,000. In the first two weeks of April the rate of gold inflow was accelerated, acquisitions in this period amounting to \$145,000,000.

Commodity Prices

Prices of a number of basic agricultural and industrial commodities, which had declined in the latter part of March, advanced during the second week in April. Prices of certain finished steel products, on the other hand, were reduced, and prices of most other commodities showed little change.

Bank Credit

Reflecting continued heavy gold imports, excess reserves of member banks increased during the four weeks ending April 10 to a record high level of \$5,950,000,000. Total loans and investments at banks in 101 leading cities, which had shown little net change during March, increased in the first two weeks of April, reflecting purchases of United States Government obligations.