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Fourth Federal Reserve District
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Operating rates in many important fourth district factories rose in May following a period of relative stability during April. Reversal of the downward trend in progress since last December was attributable in large part to developments in the European war, for a rise in export demand, anticipation of needs for the proposed domestic rearmament program, and concern over future delivery of needed materials, were major factors in causing many companies to rebuild inventories which had been liquidated during the first quarter of the year. Some increase in demand for machinery and tools also occurred as plants began to be placed in readiness for production of additional aircraft and munitions.

For some time, local machine tool plants have been producing at the highest rate in history as exports and sales to airplane manufacturers have risen to unprecedented levels. Several automobile parts makers have also been active in fabricating airplane parts, and demands from manufacturers of airplanes, ships and munitions have stimulated producers of small tools and electrical equipment. The proposed American rearmament program is expected to result in further expansion of this type of business in the fourth district and some local plants have already announced plans for building facilities for manufacture of munitions.

Steel ingot production in the fourth district rose from 56 percent of capacity late in April to 70 percent in the fourth week in May. This compares with a pickup in the national rate from 60 percent to 75 percent. In part the gain was caused by the fact that deliveries on large orders placed late in April, when it was announced that price reductions on certain steel products would be withdrawn on May 1, had to be completed by June 30, but it was also due to heavier export demand following invasion of the Lowlands and increased purchases by domestic consumers lest future deliveries be delayed. Blast furnace activity has expanded and at least five rebuilding and enlarging programs have been announced, which are to be completed by early fall. Steel scrap prices rose rather sharply as ingot production advanced, and ore-carrying companies have raised estimates of the amount of ore to be transported down the Lakes this summer. On May 15 over 90 percent of the available lake fleet was in commission, with 218 of the 263 active boats in the ore trade. Since that time additional ships have been placed in service. Need for return cargoes for ships bringing ore and grain down the lakes, combined with desire of Northwest coal dealers to build up stocks, has caused an unusually heavy lake movement of coal. Dumping of bituminous coal into

ships at lower lake docks has been at all-time high levels in recent weeks.

Automobile parts makers and tire and glass manufacturers benefited from sustained operations at automobile assembly plants in April and the first three weeks of May, although the April advance over March was less than seasonal. Retail passenger car sales in April were large, and preliminary reports of most manufacturers indicated that substantial gains over last year also were registered during the first twenty days of this month, although sales were slightly lower than in the corresponding days of April. Some progress has been made in reducing record stocks of new and used cars. Tire production was curtailed in May in order to prevent further expansion of tire inventories.

Industries dependent on construction and other outside work reported a less-than-seasonal rise in April after a poor first quarter, but a delayed spring pickup of minor proportions was evident in mid-May. An increase in construction contracts awarded had not yet been reflected in demand for building glass, but lumber and other building supplies were moving in better volume. Private construction contracts awarded in this district during April were 35 percent larger than a year ago, but the total was off 18 percent because of a decline in public activity.

The less-than-seasonal expansion in retail trade in this district which was evident during the first quarter of the year continued in April, and the adjusted index of department store sales fell to about the level of last August. In the first half of May, however, a gain of approximately seasonal proportions was reported.

FINANCIAL

Reserves of member banks in this district continued their uninterrupted expansion in April and the first three weeks of May, rising to \$792,972,000 on May 22. At that time they were 16 percent larger than at the beginning of the year and 50 percent above the May 1939 level. By the end of April reserves were twice as large as requirements.

Total loans of weekly reporting member banks in leading cities of the district rose somewhat during the first quarter of the year, but remained almost unchanged during April and the early part of May. Compared with last year, however, they were up nine percent. So-called "other" loans have been the only type to expand in recent weeks, apparently reflecting increased activity of large banks in the personal loan and installment credit field. Some country banks reported a greater-than-seasonal rise in loans to farmers for the purpose of financing the current year's

crops. Farmers' cash position was said to be poor because of the low level of livestock prices prevailing during the time at which most local meat animals were marketed.

Changes in balance sheet items of the Cleveland Federal Reserve Bank, except for a growth in gold holdings and member bank reserve balances, have been minor in recent weeks. A small amount of Government securities were purchased in mid-May as bond prices weakened following invasion of the Low Countries and France. Member bank borrowing fell to only \$60,000 on May 22. Note circulation remained at about the same level as that prevailing since January.

MANUFACTURING, MINING

Iron and Steel

Breakdown of United States steelmaking capacity into producing areas for which actual operating rates are published weekly emphasizes the dominant position of Pittsburgh not only in the Fourth Federal Reserve District, but also in the nation. In 1937, that area held 48 percent of fourth district steel ingot capacity and 24.3 percent of the nation's capacity; in 1940, 47.6 percent of the district's capacity and 23.6 percent of national capacity was still there. Growth of the automobile industry to first rank among the steel industry's consumers and abolition of the multiple basing point system in May 1938 have not yet materially altered either Pittsburgh's or the fourth district's position.

AVERAGE WEEKLY STEEL INGOT CAPACITY

(American Iron and Steel Institute data classified by areas for which weekly operating rates are published)

Area	1937			1940		
	Capacity (Net Tons)	% of 4th Dis- trict Ca- pac- ity	% of U. S. Ca- pac- ity	Capacity (Net Tons)	% of 4th Dis- trict Ca- pac- ity	% of U. S. Ca- pac- ity
Pittsburgh	330,000	48.0	24.3	328,000	47.6	23.6
Youngstown	164,000	23.8	12.1	163,000	23.7	11.7
Cleveland	75,500	11.0	5.6	83,000	12.1	6.0
Wheeling	68,500	9.9	5.0	60,500	8.8	4.3
Cincinnati	50,000	7.3	3.7	54,000	7.8	3.9
Fourth Federal Reserve District	688,000	100.0	50.7	688,500	100.0	49.5
Other than Fourth District	669,000	...	49.3	703,000	...	50.5
Total U. S.	1,357,000	...	100.0	1,391,500	...	100.0
Change 1937-40						+ 2.5

Few net additions have been made to national steel ingot capacity in recent years, and most changes have been in other than fourth district areas. The increasing importance of both the automotive and Southern markets is evidenced by the fact that 52.2 percent of all furnace additions and enlargements were made by Detroit and Birmingham mills.

Increases in the ingot capacities of Cleveland and Cincinnati areas reflect demands of new and improved wide width continuous strip mills completed after 1937. These mills, in turn, were built in response to the market demands of automobile and refrigerator manufacturers which brought the Detroit mills into existence.

Weekly production of steel ingots for each area in the Fourth Federal Reserve District was computed by multiplying the rated capacity of each area established by the American Iron and Steel Institute at the beginning of each year by its operating rate as reported weekly in *Steel* magazine. These data have been plotted in the accompanying chart of Steel Ingot Production in Principal Fourth District Areas.

During the forty months under review there has been considerable variation in movements over short periods in all five areas. Only since the beginning of European hos-

tilities in September 1939 has marked similarity been evident although Wheeling area operating rates advanced proportionately less than those in other areas. With 24.9 percent of their finishing capacity designed for cold reduced tin plate production, Wheeling mills enjoyed a sustained second and third quarter demand for tin plate and operated at 79 percent of rated capacity throughout the spring and summer of 1939. Other areas during that time produced at 40 percent to 65 percent of capacity. War scare buying in the fall swept all area rates to near the top limit of profitable operation at 90 percent to 94 percent of capacity.

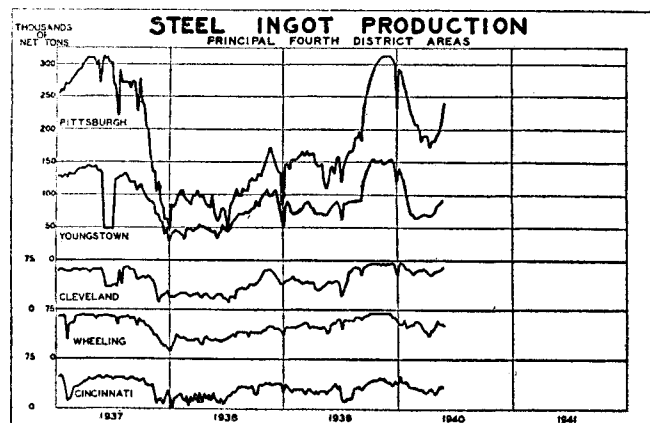
First quarter performance in the Cincinnati area has been unusually spotty in all the years surveyed, and particularly in 1938. One manufacturer produces ingots chiefly for the needs of old-fashioned hand type sheet mills which are used only when sales requirements exceed the capacity of his continuous mills located in another area. Producers here, like those in other areas distant from the largest consuming markets, have been forced to absorb in their costs relatively large amounts of freight since the establishment of uniform basing point prices in May 1938. Consequently, actual production, week-by-week, appears to be related closely to mill releases specified by customers.

In the Cleveland area, 51 percent of finishing capacity is limited to the manufacture of rails, pipe and tubes, and bolts and nuts. Drawing support from widely diversified markets, Cleveland producers more readily follow the operating patterns traced by the entire industry than, for example, do those in the Wheeling and Cincinnati areas who are primarily flat rolled sheet and strip and tin plate manufacturers.

Together, Pittsburgh and Youngstown producers have more than 35 percent of the country's steel ingot capacity. Because of their dominant size, these areas are determining factors in establishment of average national rates of production. Low cost continuous sheet and strip mills have recently been added in the areas, and manufacturing facilities for both heavy and light steels appear well balanced.

Principal producers in the Youngstown and Cleveland areas were closed for more than a month in the early summer of 1937 during industrial disputes. Recovery in operations was rapid until the precipitous September decline. Trade observers believe that since that time Youngstown production has been geared closely to the volume of incoming orders.

Steel operations, as indicated by ingot production, fell to new low levels for the year in April when furnaces in operation averaged 61 percent of capacity. During the month



3,974,706 net tons of open hearth and Bessemer ingots were made. Revised production figures of 4,264,755 tons raised the March rate to 63.4 percent. In April 1939 operations were 51.1 percent of capacity and 3,352,774 tons were produced. Operations in the five areas of the fourth district averaged approximately 54 percent of total ingot capacity during April.

From a rate of 60 percent in the last week of April, the national production rate has advanced steadily to 77 percent of capacity during the last week in May, the highest level attained since January. Several factors have contributed to this 28 percent increase. June 3 has been announced as the last day for specification under low-price blanket orders written during the April "bargain days", and steel-makers are pressing for release dates on this business. Export demand has increased and inquiries for half a million tons of steel by the Allied Purchasing Commission have been reported. Largest single asking is for shell steel of peculiar metallurgical qualities; exacting specifications, including tests in France, must be met before this order will be placed. Trade authorities state that domestic buying, too, is increasing rapidly in anticipation of still greater demand, possible higher prices, or inability to obtain delivery on materials as needed.

Two producers in the Pittsburgh area by the middle of May had all open hearths in operation for the first time in recent years. Five companies in the Cincinnati, Cleveland, and Pittsburgh areas have announced plans for rebuilding and modernizing existing blast furnaces or for construction of new ones. These stacks will be capable of producing over 3,000 gross tons of pig iron daily when completed in the early fall.

Although three more blast furnaces were put into operation in April, halting a ninety-day decline in the number active, United States production of coke pig iron decreased four percent last month. Output was 3,139,043 net tons, or 68.9 percent of total capacity. Daily production averaged 104,635 tons compared with 105,502 tons in March and 76,732 tons in April 1939.

Stocks of Lake Superior ore at furnaces and on Lake Erie docks decreased 3,756,151 gross tons during April; 18,106,151 tons were on hand May 1. Year ago 22,790,933 tons were stored on down lake docks and at furnaces.

April ore shipments from upper lake terminals totaled 465,000 gross tons. Dumpings during the first twenty days of May indicated a movement of 6,500,000 tons this month. Two hundred sixty-three vessels, or 90.5 percent of total

trip capacity, were in commission May 15; of these, 218 were active in the ore trade.

Coal

Bituminous coal production in the Fourth Federal Reserve District declined less than seasonally during April and production amounted to 12,796,000 net tons. In March 13,406,000 net tons were mined. Last year only 575,000 net tons were produced in April when most mines were closed pending renewal of contracts between unions and mine operators. Weekly production of the district's mines was in excess of 3,275,000 net tons by the middle of May. Current levels of operations are indicative of some anticipatory stocking on the part of coal consumers.

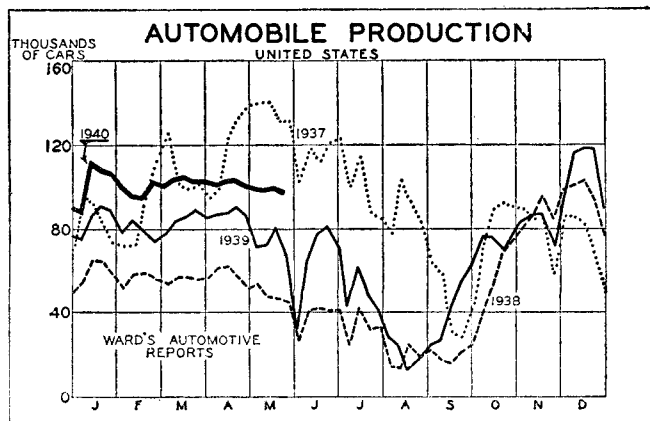
Most users are reported buying coal to the limit of possible nearby requirements while maintaining stock piles intact. Inventories of bituminous coal in the hands of consumers are approximately ten percent above normal for this season of the year and represent 26 or 27 days' supply at present rates of consumption. Retailers are said to be making contracts to forestall proposed new prices when the Guffey Act minima are announced. Wholesalers reportedly are encouraging this business by the extension of liberal credit terms to induce retailers to begin storage at once. Stocks of coal on hand at Lake Superior ports at the beginning of May were slightly under those of the same time last year, and large tonnages are moving to the lakes to be stored on docks of the St. Lawrence River and Great Lakes in anticipation of higher prices.

Loadings of bituminous coal at Lake Erie ports reached mid-season proportions by the last week in April and brought the monthly total to 3,776,624 net tons. In the two weeks ended May 20, more than 23 percent of total national bituminous coal production was loaded for north lake ports. The second highest weekly loadings on record were completed in the week ended May 20. Year-to-date coal movements on the Great Lakes are twice those of 1939 and volume is approximately the same as in 1937 when an all-time record was established.

Export demand for bituminous coal has been increasing since the intensification of hostilities in Europe. Most of the production of the Eastern Canadian provinces is earmarked for the British Isles and United States coal is in demand by Dominion industry. Curtailment of supplies from Europe has turned South American consumers to the United States for necessary coal.

Automobiles

Earlier expectations of trade authorities of a decline in automobile production during April were not realized although the month's factory sales as compiled by the *Department of Commerce* were not up as much as seasonally anticipated. Usually an increase of 5.2 percent can be looked for in April production; but this year, output was up only 2.2 percent. Factory sales during the month totaled 432,746 units of which 362,139 were passenger cars and 70,607 commercial vehicles, trucks, and road tractors. Domestic production of all vehicles during the first eight months of the 1940 model year is reported to be approximately 25 percent above that for the similar period of the 1939 model year. Weekly output during the early part of May continued close to the 100,000 rate sustained for fourteen consecutive weeks; not until the fourth week of



the month did production fall to 96,810 units. Advices from parts and accessories suppliers in mid-May indicated that no substantial reductions in new car production are anticipated by manufacturers until June.

Retail sales of new automobiles were penalized by disagreeable weather during the early spring, and stocks of cars in the field, in transit, and in warehouses reached exceptionally high levels by the first of April. Demand improved with uniformly better weather throughout the country, and although new car buying during the month was substantially better than had been anticipated, stocks remained large. Inventory data for the automobile industry are not particularly dependable, but recently released figures of the *Automobile Manufacturers' Association* show that May 1 inventories of passenger cars, trucks, and road tractors were approximately 500,000, ten percent above last year. During the month, stocks began to decline.

April registrations in eight major Ohio counties declined ten percent to 15,243 units compared with 16,844 sold in March. National deliveries of new cars in the retail market during the first ten days of May were at the highest levels for the initial period of any month since June 1937. Improvement over 1939 performance was reported by major producers during the second May period although April sales were not equaled. New records also were reported for used car sales, but inventories of these still are running about 30 percent ahead of a year ago. Field reports show that new car sales in the first ten days of this month were 4.5 percent better than during the comparable period in April and 31.4 percent ahead of 1939. Seasonally, May sales could be expected to advance slightly more than one percent from April.

Export shipments of trucks are confined largely to heavy models designed for war purposes. Only a limited number of commercial jobs are being sold, and most of these are destined for South America. The number of trucks shipped abroad has been only slightly less than in other recent years whereas the value of these shipments is said to be double that of last year.

Some parts and accessories manufacturers report receipt of substantial new orders while curtailing releases under 1940 model contracts less than normally. Extensive mechanical and style changes in 1941 models have been announced by car manufacturers, contrary to earlier expectations, and this business already seems to be benefiting suppliers and tool and die makers. Employment and payrolls of these companies at the middle of May were approximately at April levels.

Rubber, Tires

Relatively low stocks of crude rubber in this country and sharp fluctuations in crude rubber prices have been disturbing factors in the tire and rubber industry since outbreak of war last fall. As shown in the accompanying chart of crude rubber stocks available in the United States and monthly average spot prices in the New York market, domestic crude rubber stocks declined steadily during most of 1938 and 1939 as exports from producing areas were restricted at a time when crude rubber consumption was expanding. Nevertheless, from August 1938 until September 1939, prices remained unusually stable at about 16 cents per pound. Outbreak of war in Europe was accompanied by a sharp upward price movement, with

a peak of 24 cents per pound being reached in mid-September; thereafter prices declined as it became apparent that shipping space was sufficient for current needs, and the International Rubber Regulation Committee raised permissible exports from 60 per cent of basic quotas in the third quarter of 1939 to 75 per cent for the fourth quarter and 80 percent for the first half of 1940. This liberalization of exports resulted in heavy shipments, and although crude rubber consumption has remained at exceptionally high levels, stocks available in the United States rose from 105,000 tons at the end of November to 162,000 tons at the end of April. Imports during April were the third largest in history, and in the absence of shipping difficulties or war developments which would cut off purchases from the East Indies, continued heavy shipments seemed assured late in May when the 80 percent export quota was extended for the remainder of the year.

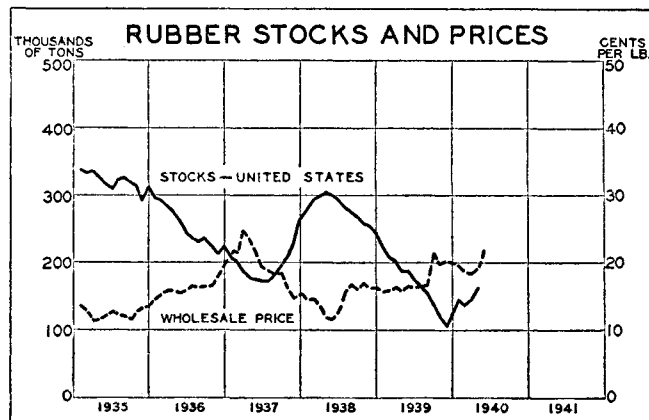
Under the influence of an improving stock position, crude rubber prices weakened until mid-April, when European developments caused some speculative buying. In May prices rose sharply following invasion of Holland and fear of interruption of shipments from the East Indies, but they again declined to about 20 cents per pound in the fourth week of the month.

Operating rates in tire and rubber factories were well maintained in April, and crude rubber consumption was almost unchanged at slightly more than 50,000 tons. Curtailment was reported in May as producers sought to prevent tire inventories from becoming burdensome. Stocks of tires in the hands of manufacturers and dealers had risen more than seasonally in the first four months of the year.

Original equipment tire shipments continued large through April and the first three weeks of May. Replacement tire sales, which were disappointing during the first quarter of the year, rose more than seasonally in April and exceeded a year ago. Demand for mechanical goods showed some improvement in April but leveled off again in the first half of May.

Textiles and Clothing

There was little change in the textile industry in the fourth district during April and the first half of May. Wool prices showed little fluctuation during this period and textile mills reported continued poor demand for woolens and worsted goods. Clothing manufacturers were said to have large inventories of these materials on hand and were placing few orders for use in fall lines.



Most women's coat and suit factories were shut down during April and early May following an abrupt cessation of work on spring merchandise. Production during the winter months had been heavy, but retail sales in March and April were poor and there were few reorders. As a result, the spring season closed early and the shutdown period between spring and fall seasons was protracted. In mid-May work was being started on sample fall lines and salesmen were scheduled to make initial trips early in June. This was later than usual.

Men's clothing manufacturers, on the other hand, continued to report a favorable volume of business, with sales, production, and shipments generally above a year ago. By mid-May manufacturers had shipped most of their summer lines and reorders already were being received. This was in sharp contrast to the spring season when reorders were scarce. Work was progressing on fall merchandise with a shorter than usual shutdown period between spring and fall seasons. The low period in operations was reached in mid-April when employment at men's clothing factories in Ohio was five percent less than a month earlier and payrolls were down twelve percent, but the number of workers was still four percent greater than a year ago.

Other Manufacturing Most reports from other fourth district industries indicated improvement during April and the early part of May. Business attributable directly or indirectly to war orders was important in many lines.

Operations in the machine tool industry during April held at the extremely high March level of 93.4 percent of capacity as work was speeded on orders placed some time ago. It is estimated that the industry's production was running at the rate of about \$350,000,000 per annum, compared with an estimated normal of \$200,000,000. About 40 percent of the plants were said to be operating two or three shifts, whereas the remainder were working more than fifty hours per week. Some machine tool factories have been expanded, but thus far most of the increased demand has been met by placement of orders with outside jobbing plants and foundries. New business, which had slackened in March, picked up again late in April and early May as airplane manufacturers completed arrangements for further sales of aircraft to the Allies. This program, however, was not as extensive as at first anticipated, and requirements for machine tools were correspondingly reduced. Nevertheless, backlogs are still so great that deliveries to domestic customers cannot be made for several months, and because several companies have followed the practice of limiting foreign sales to a definite proportion of total output, foreign deliveries in many cases run into 1941. It is estimated that because of this limitation, export sales amount to about 40 percent of total shipments, whereas about 55 percent of 1939 production was sold abroad. The recently announced rearmament program for the United States will involve large additional machine tool purchases by builders of aircraft and munitions, but this business is not expected to take definite form for some time.

Reports from makers of other types of industrial machinery varied widely in April and the early part of May. Foundry equipment orders were off somewhat in April

from their high March total, but they again exceeded shipments, and backlogs rose to the highest level since 1937. Manufacturers of valves and engineering appliances reported sustained demand from shipbuilders and others indirectly connected with armament production, and sales to utilities had expanded. Small tool makers also stated that business was at a sustained high level in April, although sales were not quite as good as in March. In mid-May it was said that there was little evidence of forward buying at that time, and dealers' stocks were low. Makers of brass products reported unusually good business in April, but a falling-off in the first half of May. Production had been maintained at a uniform rate since the first of the year, but backlogs had been reduced and inventories built up to the point at which it was necessary to curtail operations in May.

Electrical equipment manufacturers reported a continued upward trend in orders during April and the early part of May. In some cases the volume of new business rose to the highest level since 1937. Production and shipments, therefore, were sustained, and employment in Ohio electrical machinery and appliance plants showed little variation from the high level maintained since last December. Refrigerator sales have been so stimulated by low prices on certain types of units that production facilities in some plants have been taxed. Manufacturers' April shipments of other household electrical appliances such as vacuum cleaners, washing machines, and sewing machines were well above a year ago.

Demand for office equipment was said to have followed seasonal patterns in April and the first half of May. Production was at a uniform rate, and shipments to domestic customers exceeded last year by substantial margins. Foreign sales, however, reflected destruction of European markets.

Output of most types of glass products declined in April, but remained at relatively high levels. Production of both window and plate glass fell to the lowest point since last August, but window glass output was 38 percent greater than in April 1939, and plate glass production was up 70 percent. This sustained high level of production reflected inventory accumulation on the part of window glass producers, and heavy automotive demand for plate glass. In the early part of the year window glass plants were operating against backlogs built up last fall, but most of this business was filled by the end of February. Thereafter, glass producers purposely built inventories in expectation of seasonal expansion in demand for building glass, but this pickup was late in occurring. Although there was some expansion during April and the first half of May, it was still less than seasonal, and stocks of window glass in the hands of manufacturers at the beginning of May were twelve percent larger than a year ago. Some plants reduced operations in April, but there was little change in production schedules during the first half of May. Sash and door houses reported a considerable volume of unfilled orders on their books, but shipments had been held up pending more favorable building weather.

The seasonal decline in demand for dinnerware and pottery begun late in March continued through mid-May, according to manufacturers' reports. Operations had fallen to about 60 percent of capacity compared with 75 percent in March.

Paint sales so far this year have reflected sustained industrial demand, but the same adverse weather conditions which retarded building glass sales resulted in disappointing demand for other types of paint in March and April. In May, however, sales expanded more than seasonally, thus making up in part for the poor business of the two preceding months.

Orders for paperboard and boxes rose to a high level in mid-April following extension of the war into Scandinavia and the cutting off of raw material supplies from Northern Europe. Although slackening somewhat in the following four weeks, sales remained higher than at any other time this year, and production picked up from 66 percent of capacity in mid-April to 77 percent in the week ended May 4. Paper box manufacturers stated that most of the buying was being done by large consumers who were attempting to accumulate supplies in anticipation of future needs. Smaller customers, however, were not buying extensively. Exports of paperboard were said to be larger than usual.

Since retail sales of shoes were unusually poor in March and April, reorders of spring merchandise during those months were also small. Production of spring lines was curtailed sharply, and even after allowing for seasonal variations, output of fourth district shoe factories during April was the lowest since 1934. It was 18 percent under a year ago. In mid-May salesmen were making their first trips with fall lines, but it was too early to determine the volume of buying by retailers, although store managers were said to be adopting very conservative policies. Shoe manufacturers were also buying little raw material, preferring to return to a hand-to-mouth basis.

TRADE

Retail

Retail trade in the fourth district slackened during April. Chain grocery sales fell off, and on a daily average basis, total dollar volume of reporting firms was less than a year ago. Department store sales rose, but the pickup was less than usual at that time of year even after allowing for the early Easter, and the seasonally adjusted index of department store sales fell for the fourth consecutive month to approximately the level of last August. Wearing apparel shops also reported a low volume of sales despite the fact that little spring merchandise had been sold in March.

The shifting date of Easter makes comparison of April sales with the corresponding month last year misleading, but when March and April together are compared with 1939, the disappointing volume of spring apparel buying is evident. The volume of women's and misses' dresses, coats, and suits sold by fourth district department stores during these two months was off four percent from a year ago, and a similar decline in total sales was reported by wearing apparel shops. Department store sales of men's clothing were up only two percent over 1939.

Contrary to the experience of wearing apparel departments, home furnishings sales were strong in April. Large gains over a year ago were reported by all household departments, but the largest increases were in sales of rugs, musical instruments, and radios. Total home furnishings sales were up 20 percent over 1939, and furniture stores reported a gain in total dollar volume of 22 percent.

Little change in purchasing policies was revealed by

inventory figures as of the end of April. Department store stocks were about the same as a month earlier, whereas a slight increase is usual, and the seasonally adjusted index fell to the lowest point since January. Stocks were seven percent larger than a year ago, but more than half of this increase was accounted for by higher prices. Wearing apparel shops reported inventories at about the same level as a year ago.

Wholesale

Contrary to experience in the retail field, nearly all types of wholesale trade in the fourth district picked up in April, but the sharpest gains were attributable to seasonal expansion in demand for supplies used in outside work. Grocery sales also increased. Total sales of the 223 fourth district firms reporting to the *Department of Commerce* were seven percent larger than in March, and 14 percent above a year ago. This favorable showing raised the cumulative four-month gain over 1939 to nearly eight percent. As shown in the table on page seven, the only declines in April, compared with last year, were in the confectionery and fresh fruit and vegetable groups. Total sales of 42 hardware firms were up 27 percent, lumber and building material dealers reported a 20 percent gain, and automotive supply houses increased their dollar volume by 25 percent. Grocery sales, which do not fluctuate as widely as other products, were ten percent larger than a year ago.

Inventories of nearly all groups reporting such data declined in April, but they were still nearly seven percent larger than a year ago. Collections were slightly better than in March.

CONSTRUCTION

Both public and private construction activity in the fourth district continued to expand in April and the first half of May as weather conditions become more favorable to building. According to the *F. W. Dodge Corporation*, the total value of contracts awarded in April rose twelve percent over March and amounted to \$31,241,000. The volume of private work was the largest in more than two years, exceeding April 1939 by 35 percent, but public work was less than half that of a year ago. As a result, the total value of projects reaching the contract stage was 18 percent less than last year.

The favorable showing in private building compared with last year was largely attributable to increased construction of factories, commercial buildings, and privately-owned public utilities. The value of these types of construction started during April exceeded that of a year ago by 64 percent, but their total was still less than in the corresponding month in 1936 and 1937. Private residential construction in this district, on the other hand, rose only slightly in April, and exceeded a year ago by only 13 percent. The gain over 1939 in one- and two-family houses was only five percent, despite the fact that the start of work on many houses was deferred during the first quarter of the year by unfavorable weather. Nevertheless, the value of one- and two-family houses for which contracts were awarded in April was exceeded in only one other month in more than a decade.

Although there were no United States Housing Authority projects included in the April contract awards, a large volume of such work remains to be done in this district. Prior to May 1 the Authority had earmarked funds or approved loan contracts on projects to be built in the fourth district amounting to \$86,206,000. Of this total, only \$28,309,000

had been included in the *F. W. Dodge Corporation* figures on contracts awarded.

AGRICULTURE

Prices of most agricultural commodities were dominated by war developments during April and May. Hog and corn prices rose in April following invasion of Denmark and Norway and the cutting off of Danish supplies of pork products to the Allies. Wheat prices also strengthened, rising to more than \$1.10 per bushel on principal markets late in April. In May, however, prices of most farm products broke sharply as war spread into the Lowlands and important export markets were cut off. Wheat prices fell 32 cents per bushel in one week, and other grains experienced similar sharp declines. Prices of hogs and beef cattle also fell, but their losses were not as severe as those of grain prices.

In an attempt to prevent further declines, grain exchanges followed the suggestion of the Secretary of Agriculture, and established minimum prices for trading in wheat, corn, oats, rye, and soybean futures. Effective May 20, traders were prohibited from selling these grains on organized exchanges at prices lower than closing quotations on Saturday, May 18. Following this action, prices rallied somewhat.

Crop prospects in the fourth district improved during April and May despite the lateness of the season. Increased use of mechanical equipment on local farms made possible rapid progress in preparation of seed beds when weather

permitted. Wheat prospects improved considerably during April.

Fourth District Business Statistics

		(000 omitted)			
		April 1940	% change from 1939	Jan.-Apr. 1940	% change from 1939
Fourth District Unless Otherwise Specified					
Bank Debits—24 cities	\$2,329,000		+15.5	\$9,295,000	+15.2
Savings Deposits—end of month					
40 banks, O. and W. Pa.	\$ 790,903		+1.4		
Life Insurance Sales:					
Ohio and Pa.	\$ 80,609		+14.7	317,280	+4.9
Retail Sales:					
Dept. Stores—52 firms	\$ 22,507		+2.9	78,954	+6.0
Wearing Apparel—12 firms	\$ 818		+3.7	3,140	+0.9
Furniture—39 firms	\$ 1,061		+22.2	3,117	+14.5
Building Contracts—Total	\$ 31,241		+17.8	102,678	+10.9
Residential	\$ 12,328		+5.7	47,254	+22.2
Commercial Failures—Liabilities	\$ 497		+76.3	3,699	+38.2
number	46 ²		+50.0	242 ²	+24.4
Production:					
Pig Iron—U. S.	net tons 3,139		+36.4	13,739	+41.3
Steel Ingot—U. S.	net tons 3,975		+18.6	18,304	+29.4
Auto—Passenger Car—U. S.	362,139 ²		+32.5	1,414,720 ²	+28.9
Auto—Trucks—U. S.	70,607 ²		+10.4	277,053 ²	+7.7
Bituminous Coal, O. W. Pa.	tons 12,797		+2,126.6	56,345	+45.5
Elec. Power, O., Pa., Ky.					
Thous. k.w.h.	1,851 ³		+9.1	5,625 ⁴	+13.1
Petroleum—O., Pa., Ky.	bbls. 2,211 ³		+6.3	6,484 ⁴	+5.7
Shoes—U. S.	pairs 5		+17.7	5	+10.6
Tires, U. S.	casings 5,106		+13.5	19,955	+9.3
Bituminous Coal shipments:					
L. E. Ports	tons 3,777		+267.8	3,859	+176.8

¹not available

²actual number

³March

⁴Jan.-March

⁵confidential

Debits to Individual Accounts

		(Thousands of Dollars)			
		4 Weeks ended May 15, 1940	% change from 1939	Year to Date Dec. 28, 1939 to May 15, 1940	Year to Date Dec. 29, 1938 to May 15, 1939
Akron		62,822	+5.2	318,047	292,098
Butler		9,019	+9.0	44,344	39,823
Canton		34,036	+10.0	173,452	151,918
Cincinnati		297,611	+3.7	1,529,874	1,426,288
Cleveland		537,262	+10.0	2,727,265	2,411,199
Columbus		170,132	+11.7	844,108	757,281
Dayton		68,976	+14.3	330,553	290,240
Erie		26,874	+10.4	132,566	118,012
Franklin		2,781	+22.3	11,331	11,803
Greensburg		6,856	+19.3	35,288	29,518
Hamilton		10,561	+5.4	51,516	48,448
Homestead		3,576	+22.1	15,689	13,310
Lexington		19,380	+11.1	125,412	119,121
Lima		12,337	+7.2	67,412	58,220
Lorain		5,249	+20.5	24,903	21,255
Middletown		10,326	+9.8	54,531	45,418
Oil City		10,082	+17.4	49,218	42,778
Pittsburgh		607,421	+15.4	3,135,320	2,736,755
Sharon		7,353	+0.4	38,379	35,706
Springfield		16,400	+4.1	79,815	77,272
Steubenville		9,191	+7.5	45,272	40,687
Toledo		117,666	+11.5	584,266	519,690
Warren		9,057	+4.0	47,620	42,053
Wheeling		24,622	+7.2	123,197	136,731
Youngstown		43,417	+12.3	229,885	192,729
Zanesville		7,879	+9.1	39,354	36,295
Total		2,130,915	+10.5	10,911,052	9,691,709

Fourth District Business Indexes

(1923-25=100)

	April 1940	April 1939	April 1938	April 1937	April 1936
Bank debits (24 cities)	86	74	76	99	85
Commercial Failures (Number)	32	63	63	47	45
" (Liabilities)	11	47	42	39	47
Sales—Life Insurance (O. and Pa.)	84	73	71	101	86
" —Department Stores (47 firms)	90	92	89	98	89
" —Wholesale Drugs (9 firms)	92	90	89	110	97
" —Dry Goods (7 firms)	46	39	40	54	50
" —Groceries (55 firms)	68	61	65	83	71
" —Hardware (42 firms)	85	67	71	101	83
" —All (113 firms)	70	61	64	83	72
" —Chain Drugs (4 firms)**	91	1	91	98	89
Building Contracts (Total)	66	80	37	54	51
" (Residential)	72	68	41	63	38
Production—Coal (O., W. Pa., E. Ky.)	71	3	49	66	68
" —Cement (O., W. Pa., E. Ky.)		68	55	75	55
" —Elec. Power (O., Pa., Ky.)*	220	202	178	206	169
" —Petroleum (O., Pa., Ky.)*	120	116	131	129	120
" —Shoes	93	113	94	134	111

*March

**Per individual unit operated

¹Not available

Wholesale and Retail Trade

(1910 compared with 1939)

		Percentage Increase or Decrease	
		SALES April 1940	STOCKS April 1940
DEPARTMENT STORES (52)			
Akron	+1.4	+5.7	+14.1
Cincinnati	+2.2	+7.8	+5.1
Cleveland	+3.4	+5.2	+6.5
Columbus	+1.9	+7.7	+17.0
Erie	+2.6	+7.8	+3.5
Pittsburgh	+4.8	+6.2	+4.0
Toledo	+0.9	+3.8	+9.1
Wheeling	+12.0	+0.9	+5.4
Other Cities	+2.9	+7.4	+16.0
District	+2.9	+6.0	+7.3
WEARING APPAREL (12)			
Cincinnati	+9.2	+0.00	+2.0
Cleveland	+4.1	+0.6	+0.8
Pittsburgh	+19.3	+6.8	+8.3
District	+8.7	+0.8	+0.4
FURNITURE (39)			
Cincinnati	+0.8	+3.9	
Cleveland	+11.7	+16.3	
Columbus	+56.3	+11.6	
Dayton	+56.9	+18.4	
Toledo	+20.0	+16.3	
Other Cities	+29.7	+13.5	
District	+22.2	+14.5	
CHAIN STORES*			
Groceries—District (4)	+4.2	+11.1	
WHOLESALE TRADE**			
Automotive Supplies (9)	+24.9	+21.9	+0.2
Beer (6)	+2.0	+4.2	+8.3
Clothing and Furnishings (5)	+4.3	+7.2	1
Confectionery (4)	+5.9	+1.2	+3.4
Drugs and Drug Sundries (9)	+3.0	+1.4	+7.7
Dry Goods (7)	+18.9	+10.7	+5.6
Electrical Goods (12)	+16.4	+17.9	+13.7
Fresh Fruits & Vegetables (7)	+0.2	+2.0	+3.4
Furniture & House Furnishings (3)	+13.1	1	1
Grocery Group (55)	+10.2	+4.2	+4.8
Total Hardware Group (42)	+27.0	+14.4	+6.3
General Hardware (9)	+14.5	+5.3	+11.8
Heavy Hardware (3)	+32.4	1	1
Industrial Supplies (15)	+47.7	+29.3	+7.8
Plumbing & Heating Supplies (15)	+24.9	+15.7	+9.5
Jewelry (4)	+34.5	1	1
Lumber and Building Materials (4)	+20.7	+3.6	1
Machinery, Equip. & Sup. (exc. Elect.) (5)	+54.4	1	1
Meats and Meat Products (6)	+11.4	+9.6	+13.3
Paints and Varnishes (5)	+12.7	+5.2	+15.1
Paper and its Products (6)	+19.7	+10.8	1
Tobacco and its Products (18)	+4.9	+5.1	+9.4
Miscellaneous (16)	+2.8	+12.1	+9.5
District—All Wholesale Trade (223)	+14.1	+7.8	+6.6

*Per individual unit operated.

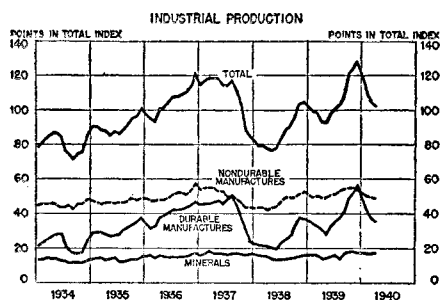
**Wholesale data compiled by U. S. Department of Commerce.

¹Not available.

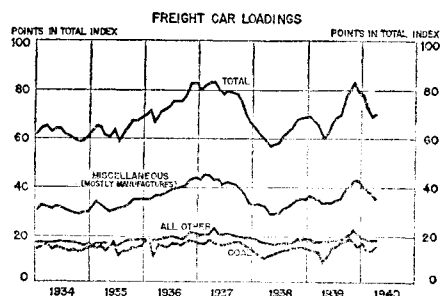
Figures in parentheses indicate number of firms.

Summary of National Business Conditions

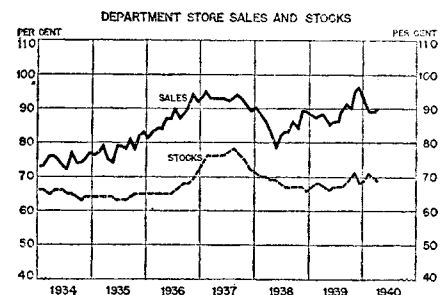
By the Board of Governors of the Federal Reserve System



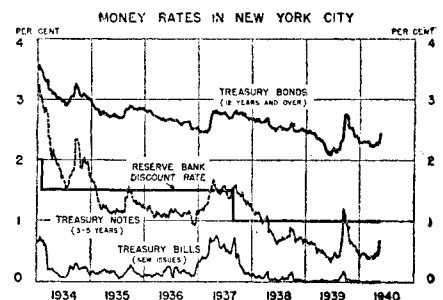
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January 1934 to April 1940. Latest figures—Total 102, durable 35.7, nondurable 48.7, minerals 17.6.



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 April 1940. Latest figures—Total 70, coal 15.9, miscellaneous 35.2, all other 18.9.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1940. Latest figures—Sales 90, stocks 69.



For weeks ending January 6, 1934 to May 18, 1940.

Industrial activity was steady during April after three months of sharp decline, and in the first half of May increases appeared in some lines, particularly steel. Prices of basic commodities showed mixed changes toward the middle of May, accompanying the extension of active warfare in Europe, while stock prices declined sharply.

Production

The Board's seasonally adjusted index of industrial production for the month of April was 102, compared with 104 for March and 109 for February. Steel ingot production was steady during April at slightly over 60 per cent of capacity as compared with an average rate of 64 per cent in March; in the first half of May output rose sharply and currently is scheduled at about 77 per cent of capacity. Automobile production in April continued at about the March rate, although ordinarily there is an increase at this season, and in early May declined somewhat. Retail sales of new cars approximated production in April and dealers' stocks of both new and used cars remained at earlier high levels. Output of plate glass, used largely by the automobile industry, declined considerably in April, and lumber production showed somewhat less than the usual seasonal increase. In the machinery, aircraft, and shipbuilding industries activity continued at the high rate of other recent months.

In the textile industry activity at cotton and woolen mills declined somewhat further in April, following considerable reductions in March. At silk mills activity remained at a low level, while rayon production was maintained at a high rate. Output at meat-packing establishments continued in large volume. There was some further curtailment in shoe production in April; in most other industries producing nondurable goods changes in output were largely seasonal in character.

Coal production, which usually declines sharply in April, showed only a small decrease this year. Output of crude petroleum, which had reached record high levels in March, was largely maintained in April and the first half of May, although stocks of crude oil were increasing and gasoline stocks were unusually large.

Value of construction contracts awards increased further in April, reflecting principally a rise in contracts for private building, according to figures of the F. W. Dodge Corporation.

Distribution

Distribution of commodities to consumers showed little change in April and the first half of May. The Board's seasonally adjusted index of department store sales was 90 per cent of the 1923-1925 average in April, about the level that has prevailed since the first of the year but below the peak of 96 reached last December.

Total freight-car loadings in April were in about the same volume as in March. Shipments of coal declined less than seasonally, while loadings of miscellaneous freight, which included most manufactured products, showed less than the sharp rise that is customary at this season. In the early part of May increases were reported in shipments of most classes of freight.

Foreign Trade

Exports of United States merchandise, which have been at a high level since last December, declined somewhat in April. A large part of the decrease in April was accounted for by the complete cessation of shipments to northern European countries after outbreak of hostilities there, but declines were also reported in shipments to most other countries. Exports to Canada, the Union of South Africa, and France, however, increased.

During April, the monetary gold stock of the United States increased by \$337,000,000, the largest increase since August, 1939. Acquisitions of gold in the first two weeks of May totaled \$169,000,000.

Commodity Prices

Prices of a number of basic commodities, which had been declining after a rise in April, advanced from May 10 to May 14. Increases in this period were particularly marked for imported materials, such as rubber, tin, and silk. Grain prices rose at first but subsequently showed sharp declines. Price changes for other commodities were mixed; steel scrap advanced, while cotton declined considerably. Prices of certain steel products, which had been reduced early in April, were restored to earlier levels on May 1, and producers announced that steel purchased at the lower prices must be taken by the buyers on or before June 30.

Government Security Market

Prices of United States Government securities declined sharply from May 10 to May 14, accompanying the further spread of war in Europe. Prices of long-term Treasury bonds on May 14 were 3½ points below the high point reached on April 2.