

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 6

The broad sweep of events, both at home and abroad, and the fast pace at which changes have occurred in recent weeks have left their mark on several lines in this Federal Reserve district. Being one of the most highly-industrialized areas of the country, especially in the field of metal-producing and metal-working, where most of the recent expansion has taken place, the gain in these lines has recently been reflected in others. Much of the statistical data as yet available covers the month of May, when the latest buying movement was just getting under way, but other reports at hand at least indicate the trend if not the extent of these developments.

The proposed defense and armament program, which has grown considerably since its inception, has been stimulating to business, even though little if any actual work has been done. Inventory accumulation is again quite evident, though not so general as it was last fall. It seems to be confined to two lines: those companies expecting to benefit from the war or preparedness orders, either domestic or foreign, have placed orders for future delivery; and those companies which can't expect to benefit from Government priority orders, such as nonessential consumers' goods, have purchased for future delivery, both equipment and materials. Stocking of strategic materials again is fairly widespread and buying ahead for long periods is reported. Industrial sources say that orders have picked up considerably. As orders increased and requests for deliveries became more prompt, manufacturers of machinery and equipment and processors of raw materials attempted to protect themselves, not so much from a price standpoint, but chiefly with respect to delivery or ability to obtain materials when needed.

Iron ore shipments in the first half of June were at a rate which pointed to a ten million-ton month and practically every lake boat was in service. Steel mills have increased output rapidly; admittedly a large share of the gain represented inventory accumulation, but steel orders have been received at a rate in excess of the industry's capacity to produce. Several steel plant rebuilding programs have been started with the view toward enlarging capacity in most cases.

Auto parts plants and other metal-working companies, especially those which also are producing airplane equipment, have been unusually active for this season of the year.

The latest employment figures are as of mid-May; these failed to reflect the current changed situation, although the index of number of employed in Ohio was steady compared with April, while payrolls increased. Shortages of machinists, tool makers, and other specialized workers are reported,

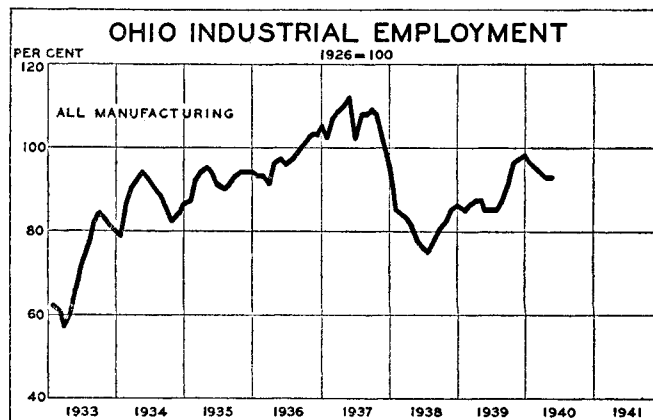
even though large numbers remain on relief or unemployed.

Until early June, retail trade figures reflected this situation plus unseasonable weather. May sales were not up seasonally in relation to April, and compared with a year ago the gains were slight. In the first three weeks of June, however, more favorable weather and increased payrolls contributed to an improved retail trade situation whereby gains of 18 to 25 percent over last year were experienced by department stores, and other lines also reported increases.

Residential building has held up very well recently; in May, contracts awarded were the best since 1929, excluding one month when contracts for large public housing projects were awarded. Some improvement in factory and commercial building has been evident recently.

## FINANCIAL

**Member Bank Credit** Reports from member banks and other financial data reflect only to a very limited degree the recent activity in some of the more important industrial lines. Debits to individual accounts, largely check transactions, at banks in leading cities were 20 percent larger in the five weeks ended June 19 than in the comparable interval of last year. Up to the latest period, the increase so far this year had been only 12.5 percent. Expanding payrolls, increased trade, buying of goods in advance of need, etc., are all contributing factors. Some banks have experienced a moderate rise in loan activity since the business expansion got under way, and commercial loans at leading institutions are two percent above the low point of the year to date touched in January. A survey



regarding loan activity at banks in Cleveland, Cincinnati, and Pittsburgh in the first half of June revealed that new commercial loans made in the two weeks exceeded the same period last year by 39 percent in dollar volume and 35 percent in number of loans made. Increases were evident at all rates of interest charged, except the highest of seven percent or above. Repayments on loans previously made, however, continue in such volume that they tend to offset new loans, so far as total volume outstanding is concerned.

With total reserves more than double the amount required, banks in this district generally are in position to lend financial aid, within the limit of sound banking practice, to any industrial program now under way, or which might evolve. The financing of goods in process of manufacture, or the accumulation of strategic materials in reasonable quantities, or possibly the purchase of new equipment when orders are assured, are now generally accepted bases for loan activity.

Real estate loans at leading banks have increased moderately and they are larger than in nearly three years. Other loans have shown little change in recent weeks, but they remain somewhat above the January low point and a year ago at this time. Total loans made by weekly reporting member banks on June 19 were \$701,000,000, an increase of 3.9 percent so far this year, and a gain of 6.2 percent in the past twelve months. While total loans have declined slightly since late May, they are still not far from the best level since early 1938.

Reporting member bank holdings of Government securities continued to decline in May and June, with most of the reduction in Treasury bonds. From the high point in March, holdings of long-term bonds by these banks have receded 8.7 percent. This is contrary to the experience of reporting member banks in the entire country whose investments in Government bonds have risen to new high levels week after week, until the week ended June 19 when a decline was shown. Deposits continue to increase to new high totals, although a falling-off was reported in the latest week.

**Reserve Bank Credit** Little change of significance was apparent in condition figures of the reserve bank in the four latest weeks. Note circulation increased to the highest level of the year in the first half of June, but declined slightly in the third week. On the latest date, note circulation was nearly \$50,000,000 greater than a year ago at this time. Member bank reserve deposits, at the new high of \$812,000,000 (over half of which are in excess of requirements), were more than \$250,000,000 above a year ago.

### MANUFACTURING, MINING

**Iron and Steel** Steel ingot production in May, when the industry operated at 72 percent of capacity, registered an 18 percent gain over the operating rate of 61 percent in April. Last year, steel operations touched their low point in May when production was at only 48.6 percent of rated capacity. Output continued to advance rapidly during early June. By the third week of the month, actual operations had reached 88 percent. For the week ending June 29, ingot production was estimated at 86.5 percent of capacity by the *American Iron and Steel Institute*, the first decline recorded in nine weeks. Operations in fourth district mills have not equalled those of the entire industry. In the week ended June 22, local mills were operating at 81.9 percent of rated capacity.

Demand for sheets and strip has picked up in recent weeks, and third quarter tonnage taken thus far is reported to be accompanied by requests for early delivery. Trade observers believe that the new business, which is coming from industry generally, does not necessarily represent actual manufacturing needs. Domestic buyers are being urged to cover all probable needs for bars and slabs as soon as possible to prevent shortage should the steel industry be forced to mobilize for national defense and curtail production on normal needs. New orders for wire are being placed to cover manufacturing needs for several months, trade authorities report. Pipe mills are active, and non-integrated plants have increased orders for skelp and rounds, apparently for inventory. Heavier requirements for industrial expansions already announced and the augmented number of projects planned for navy yards and Government ordnance shops dominate the structural and heavy shapes market; structural mills are currently working at approximately 42 percent of capacity. Despite an expected heavy fruit and vegetable pack, takings of tin plate by can manufacturers have enabled these steelmakers to operate at only about three-fourths of capacity. Mills in operation are mostly at capacity, but several plants have remained closed. Indications are that this specialized capacity will not be needed in the immediate future. Shipments under low price contracts will be continued until July 31 with June 30 as the last day for specification.

Concern was expressed over the effect of France's capitulation in view of its reportedly heavy steel commitments here. It now appears that pending French orders do not bulk more than 500,000 tons, whereas American mills are turning out over a million tons of steel each week. The industry would lose a total of three days' production if all orders were canceled; some individual mills report that their French bookings amount to 2½ days' output. However, the British are expected to assume some of these orders.

May shipments of Lake Superior iron ore were 7,274,024 gross tons, more than double those of last year, and fifteen and a half times April movement. Over 10,000,000 tons are expected to be shipped during June, on the basis of receipts at Lower Lake docks during the first fifteen days of the month.

Consumption of steelmaking grades of scrap jumped 22 percent in May to 3,353,000 gross tons after declining steadily for five consecutive months. This was the largest use of scrap for any month since January, and compares with 2,753,000 tons in April and 2,263,000 tons in May 1939.

Much evidence is at hand that price movements of No. 1 heavy melting steel scrap, based on Pittsburgh, forerun variations in the rate of ingot production of the United States steel industry, particularly in August 1929 when scrap prices topped off two months before the stock market crashed and again in February 1933 when they began to rise in anticipation of the emergence of business from the bank holiday. However accurately these price changes predicted steel production over the long cycle, reference to the accompanying chart of Steel Ingot Production and Scrap Prices, in which the data are plotted by weeks, opens to question the full reliance placed in scrap prices as indicators of either time or amplitude of steel operations over shorter periods from 1937 to the present. For considerable lengths of time, prices seem to anticipate the rate of ingot production, only suddenly little more than to parallel them.

Several factors which determine scrap prices tend to negate the widely-accepted belief that since steel scrap is accumulated in advance of need, a rising market indicates purchases by producers planning increased steelmaking activity. Buying of supplies from country dealers by several brokers, perhaps sharing an individual inquiry, who are endeavoring to build up the large amounts required by melters tends to bid up the going price, particularly if scrap is slow in moving into sight. Single huge offerings of best prime grades by railroads sometimes send the price down if the market is thinner than judged. In recent years, about ten percent of total scrap available has moved in international trade; placement of orders determined by needs in other countries independent of national requirements keeps a volatile factor in the price setting equation.

Scrap quotations paralleled the rise in steel operations during the first quarter of 1937, but leveled off one to two months before production peaks were reached. They declined in the second quarter of that year two to six weeks before operations dropped, and touched their low points two weeks before operating rates rebounded sharply from Fourth of July closings. Third quarter production was relatively more stable than scrap prices which climbed from \$18.50 per gross ton to \$21.75 while the operating rate moved narrowly from 82 percent to 86 percent of capacity. Both series fell together during the last quarter when recession set in and carried production rates to less than 25 percent of capacity and scrap quotations to \$13.25 per ton.

Scrap prices recovered only slightly in January and February 1938 and then slowly declined 27 percent from their highest; operations moved uncertainly all during the first and second quarters. Recovery in prices was four weeks in advance of production rates at the beginning of the third quarter. However, scrap became stabilized at \$15.25 per ton by the middle of the period and fluctuated only in the narrow \$14.75 to \$15.75 range for nine months. During this time, ingot operations rose to rates not theretofore associated with these scrap quotations. After Christmas and New Year's holiday shutdowns, operating rates recovered only partially while prices continued virtually unchanged.

Second quarter 1939 operations touched two lows—one in mid-May and the other in Fourth of July week. Scrap prices reached lows for the year in early June after following the decline in operations which started in early April.

Hesitant in starting to soar, scrap prices jumped from

\$16.25 to \$24.25 per ton in five weeks under war-scare buying pressure set off in September 1939. Ingot rates moved up sharply along with prices to reach a three-year high seven weeks after the highest scrap quotation. Meanwhile, scrap prices were falling, and by mid-April of this year they were back to pre-war levels. Ingot operations declined until they, too, approximated August 1939 rates, moving five to seven weeks after scrap prices. Since intensification of the war, both series have recovered rapidly from lows reached simultaneously in late April. In recent weeks price advances have been at a less rapid rate than increases in ingot production.

Scrap prices may be a barometer by which general trends in steel operations can be read, but month-by-month production movements are too much determined by a multitude of factors to be forecast by a single series which itself is affected by several elements unrelated to domestic steel-making.

### Coal

May production of bituminous coal both throughout the country and in the Fourth Federal Reserve District recouped the losses registered in April and approximated March output. Production in this section during May was the largest for that month in ten years. Last month 14,022,000 net tons were brought to the surface. April output was 12,797,000 tons, and only 6,024,000 tons were produced in May 1939 as mining operations were resumed after a protracted shut-down while a new union contract was negotiated. Record May production was in 1930 when 15,604,000 tons were mined.

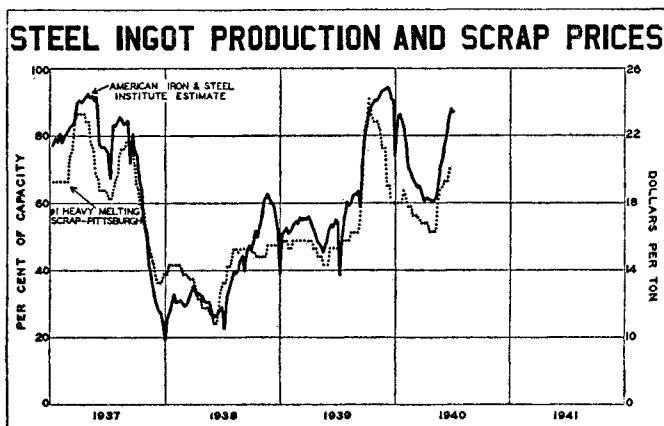
Early in June, decreased operations in the Western Pennsylvania field reduced total weekly production of the district to about 3,000,000 tons. However, output was sustained in the Eastern Kentucky and Ohio fields. Production of coal in mines owned by fully integrated steel companies is reported to have been stepped up because of the rapid expansion in steelmaking.

Aided by a late start in Great Lakes navigation this year, loadings of bituminous coal into vessels at Lower Lake ports during May established an all-time high. Exceeding the previous record established in May 1937 by nearly a million tons, 7,746,181 net tons were loaded for shipment north. This is still more than one-fifth of total national bituminous production. Continuation of this high rate is indicated by the fact that on June 1 there were over 30,000 cars of coal either in transit to the Lakes or at the water front awaiting dumping. Approximately 4,000 cars a day were moving from mines to Great Lake docks during the first weeks in June.

Wholesalers reported only fair activity early in June. Purchases by retailers had slowed down as consumer buying failed to materialize in the volume anticipated. Dealer policy toward storing has been varied. Some wholesalers state that this business has increased, but general reports are that the rate of storage has slowed down. Softening in the demand for industrial sizes used for steam generation has been noted, but no reason has been determined by sellers.

### Automobiles

Automobile production in May fell below the 400,000 mark for the first time in six months. Factory sales of new cars and trucks, as compiled by the *Department of Commerce*, dropped a little less than ten percent last month to 391,251



units from 432,746 in April. In both months, about seven-eighths of the total were passenger cars and taxicabs; the remainder, trucks, busses, and road tractors. Even though the Memorial Day holiday, coming on Thursday, cut two days from production schedules, sales to dealers this year were approximately 96,000 more than the 295,542 units sold in May 1939, when only one working day was lost.

Weekly production came back sharply after the Memorial Day shutdown and held up well during the first three weeks of June. In the week ended June 22, total United States and Canadian output was 90,060 units. Indications are that assembly schedules will be reduced in the weeks immediately ahead. Automobile glass manufacturers reported in mid-June that requirements for 1940 cars have been covered and that auto makers are not quite ready to order for 1941 models. Some decline in shipments for June, therefore, is evident. Parts makers, on the other hand, have signified that their customers are placing advance commitments for protection against developments within the next ninety days. Suppliers are endeavoring to give as much protection as they can, though their sources, in turn, are loath to go beyond the third quarter with any definite promises. Steel companies are accepting orders for fourth quarter shipment only at prices prevailing at the time of shipment, parts and accessory makers state.

Retail sales of new cars and trucks improved sharply in the final ten days of May after having slackened in the middle ten-day period of the month. A gain of 28 percent over the preceding ten days was recorded in the last third of the month, but it was not sufficient to bring total May sales up to the normal expectancy for the month, which would have been 1.2 percent above April volume. A decline of 6.5 percent actually was recorded.

New car registrations in eight major Ohio counties fell nine percent in May from April volume which was ten percent below March. Despite this marked decline, new car sales in May were the third best since introduction of current models. Deliveries of new cars in retail markets throughout the country during the first twenty days of June were considerably above those in the same period of 1939, but May sales were not equaled. Used car sales have been satisfactory, dealers report. Movement was heavy before the Memorial Day holiday in most large cities.

Stocks of new cars continue high. Most trade authorities doubted if deep inroads were made in inventories during May; the general belief was that about half a million new models still were in the hands of dealers, in transit, and in warehouses on June 1. Since then, some dealers claim that while cars are still available in quantity, not all styles and colors may be had.

#### **Rubber, Tires**

Manufacturers' tire shipments again rose sharply in May as replacement tire sales advanced more than seasonally and requirements of automobile assembly plants declined only slightly. Total shipments, therefore, amounted to 5,720,000 casings, the second largest monthly volume since 1933. Shipments to dealers and other outlets for replacement tires totaled 3,636,000 units, the largest May figure since 1934.

This heavy volume of replacement tire shipments was attributed only in part to buying which had been delayed by unfavorable weather earlier in the year; more important factors were special sales promotions and price reductions on low grades tires. Dealers were thought to be stocking

certain types of tires during this period, for crude rubber prices and other costs have remained firm.

Tire production in May reflected this heavy volume of shipments and the total for the month rose, despite earlier reports of curtailment at some plants. Nevertheless, manufacturers' tire inventories began to decline seasonally, but at the end of May they were still larger than a year ago. Late in June, producers stated that stocks had been reduced to satisfactory levels, and production was being held at a stable rate. Replacement tire shipments had continued to expand in the first half of June, thus making up for some decline in shipments to automobile assembly plants.

Demand for other types of rubber products shows wide variation. Manufacturers in mid-June reported they were receiving inquiries for unusual quantities and items for war purposes, but actual orders had not yet reached substantial proportions. Demand for other kinds of mechanical rubber goods was about the same as in May.

Crude rubber consumption in May amounted to 51,431 tons. This was about the same as the volume of imports, so stocks available in the United States showed little change. Crude rubber prices fluctuated within a narrow range during June, at a level only slightly below the May high mark of 24 cents per pound.

#### **Textiles and Clothing**

Activity in the textile and clothing industry in this reserve district declined slightly in May. Employment in eleven Cleveland textile and needlework firms fell for the third consecutive month and at the end of May was the lowest in more than a year. Most women's coat and suit factories were idle part of the month after closing their spring season early while retailers worked off the heavy stocks produced during winter months. Late in May, work was started on sample lines of fall merchandise, and salesmen made initial trips early in June. Reports from the field indicate that retailers are cautious in making commitments at this time.

Unseasonably cool weather during the latter part of May retarded retail sales of men's tropical and summer weight suits and sportswear. Hot weather in the first two weeks of June stimulated consumer buying of these items, and in-stock manufacturers reported sizable reorder business. Belief was expressed that total seasonal volume was satisfactory, but somewhat behind last year. Makers of fall lines of men's clothing appear to be working at a good rate. Some factories reported in mid-June that orders on hand for fall merchandise were sufficient to keep them employed at near-capacity until October, barring cancellations forced by unforeseen events. Although current retail inventories of heavier weight groups are fairly high as against tropical and summer weights, wholesalers note no evidence that buying has been influenced by speculative motives.

Orders booked by manufacturers of cotton work garments during May were at approximately the same rate as in April. Work on most old orders has been completed, and a few inquiries for fall delivery have been received. Business under the national preparedness program is eagerly anticipated by these garment makers. Some factories are planning summer operations only if Government orders are received soon. Both wool and cotton textile manufacturers, too, are counting on this type of business to carry them over the summer months. Some orders for woolen and worsted goods were placed early this month by the United

States Army quartermaster, but these were not defense program requirements, it was stated. Worsted mills report balanced demand with little speculative buying.

Responding to the Army inquiry, prices of wool tops were stimulated after previously discounting the Italian war declaration. Daily spot quotations on the New York market moved erratically during May after declining steadily from \$1.15½ per pound in January to 98½ cents on May 1. Last month the spot price rose to \$1.03 only to fall 10 cents in eight days' trading. By the middle of June, quotations had risen as high as \$1.05, but stability had not been achieved. Day-to-day fluctuations were as much as 2½ cents.

Local wool growers have reported bids as high as 38 cents per pound, grease basis, by country dealers. The West Virginia cooperative wool pool of 80,000 fleeces sold late in May at 36.78 cents per pound for clear medium grades, among the top sales for the twenty-one years the pool has been in operation.

**Other Manufacturing** Conditions in other important fourth district industries varied widely in May and the early part of June. Metalworking establishments expanded operations as buying in anticipation of future requirements reached substantial volume. Machine tool plants continued to operate close to peak levels, but other industries such as glass and china, which are not so closely affiliated with armament and munitions, curtailed production. Shoe production was down seasonally in May, but expanded subsequently.

In mid-June, purchases of machine tools by airplane and airplane parts manufacturers were said to be continuing in large volume, but direct Government orders and other buying for the rearmament program had not yet reached substantial proportions. Purchases by automobile manufacturers were limited. Some plants reported they were taking no more foreign business, although there was no formal embargo on shipments. Inquiries were being received from countries which had never been customers before; presumably their relatively small needs formerly had been filled by belligerent nations. Production and shipments in May and early June continued at record levels, although there was a slight decline in the percentage of capacity at which the industry operated in May. The National Machine Tool Builders' Association reports, however, that this decline does not indicate a lower volume of output, for the industry's capacity has increased each month since last September and is now 25 percent greater than it was at that time.

Other makers of automatic machinery, heavy hardware, forgings, and sundry metal products reported an increased volume of new business in May and early June as customers began to place their plants in readiness for work on possible rearmament orders. An important factor contributing to this upturn was said to be accumulation of inventories lest future deliveries be interfered with by Government requirements. Stocks of materials made from steel and other metals were being built up rapidly.

May orders for electrical equipment were slightly lower than the high April total, but there was little reduction in backlogs. Shipments of some consumer products such as washing machines and vacuum cleaners declined seasonally; work on heavy dynamos and shipbuilders' materials showed

little change. Employment in Ohio electrical machinery plants declined one percent during the month, but the number of workers was still ten percent larger than a year ago and 40 percent greater than the 1938 low.

Orders and shipments of office equipment and supplies fell slightly in May, but remained relatively stable in the first half of June. Customers were said not to have changed purchasing policies greatly, but manufacturers had anticipated requirements of steel, wood, and paper by placing larger-than-usual commitments with suppliers of these materials.

Glass companies, on the other hand, reported no desire to build up inventories either on their own part or that of their customers. Manufacturers' stocks have expanded, but this has not been due to fear of inability to meet future demands. Window glass output in May remained quite stable at about 66 percent of capacity. There was no change in operating rates in the first three weeks of June except for shutdowns for necessary cold repairs. Orders, particularly from sash and door manufacturers, improved in May and early June as delayed seasonal expansion in demand for building glass occurred. As a result, shipments during May were 25 percent larger than in April, but at the month-end manufacturers' inventories were about 20 percent larger than at the beginning of the year.

Plate glass producers reported a slight increase in shipments to automobile manufacturers in May, but in mid-June it was stated that requirements for 1940 models had been completed. Orders and shipments, therefore, were down seasonally, and production schedules had been reduced. Demand from other sources also was low as dealers showed no inclination to build up stocks.

Makers of consumers' goods lines such as glassware and china also reported a slowing up of demand in mid-June, with customers purchasing on a hand-to-mouth basis. Seasonal factors were said to be largely responsible for the falling-off in sales. Production of dinnerware was about in line with orders at approximately 50 percent of capacity, compared with 60 percent in mid-May and 75 percent in March.

Paper and boxboard producers reported in mid-June that possibility of higher prices and interrupted shipments continued to dominate developments in their industry. Manufacturers were attempting to accumulate supplies of raw materials, and dealers and customers were covering future requirements for extended periods. The effect of cost and price increases already experienced is shown by the fact that in some cases dollar volume of fine paper sales in May were as much as 65 percent larger than a year ago whereas the increase in tonnage was only 25 percent. Unfilled orders at paperboard mills continued to rise during May and early June, despite the highest operating rate since last year.

Shoe production declined seasonally in May as work on summer merchandise was completed, but by mid-June most fourth district plants were well along on fall lines. Reorders were infrequent in May, but retail sales of summer shoes rose so sharply early in June that manufacturers received a substantial volume of reorders. Retail stocks are said to be poorly balanced, with large carryovers of spring shoes, and dealers have placed conservative orders for fall delivery. New business on the books of manufacturers, therefore, is from 20 to 25 percent lower than a year ago.

## TRADE

## Retail

Sales at department stores and wearing apparel shops were retarded by cool weather during May as customers delayed purchases of seasonal merchandise, but they advanced sharply in the first half of June following advent of hot weather. Chain grocery sales rose sharply in May, and total dollar volume of reporting fourth district firms was ten percent larger than a year ago. Chain drug sales also rose somewhat over April, and were about equal to the average for the first five months of the year.

Failure of sales to advance as much as seasonally expected in May resulted in a further decline in the adjusted index of fourth district department store sales. At 87 percent of the 1923-25 average, the index was 13 points under the December peak, and the lowest since last July. In comparison with May 1939, which was the low month last year, sales showed an increase of seven percent. During the first two weeks of June, total dollar volume was 22 percent larger than a year ago.

Despite the less-than-seasonal advance in department store sales during May, inventories were reduced more than usual. Sharp expansion in sales of summer clothing early in June occasioned some reordering from suppliers, but wholesalers and manufacturers reported in mid-June that retailers were conservative in their orders for fall delivery. The value of stocks on hand at the end of May was six per cent larger than a year ago, but most of this increase was attributable to higher prices rather than larger physical volume.

For several months there has been a slight upward trend in the relative importance of installment sales at department stores. Since the first of the year they have accounted for about one-tenth of the total dollar volume at reporting stores. Collections on both installment contracts and regular thirty-day charge accounts have been improving steadily since mid-1938.

## Wholesale

Wholesale trade again advanced in May, but gains over a year ago were not as large as in April. Nevertheless, total sales of the 216 fourth district firms reporting to the *Department of Commerce* were 8.5 percent larger than in May 1939. This increase was slightly greater than the average for the first five months of the year.

Wholesale inventories were reduced during May, and at the month end they were only 4.4 percent larger than a year ago. In some lines, however, efforts were being made to build up stocks. Electrical supply houses reported in mid-June that substantial orders had been placed with manufacturers in an attempt to avoid future delivery delays which might be caused by the preparedness program. No difficulty had yet been experienced in meeting current needs.

## CONSTRUCTION

Contracts awarded during May for the construction of residential buildings in the fourth district reached the highest volume in eleven years except for the month of June 1939 when awards were made for four United States Housing Authority projects—two in Cleveland and one each in Columbus and Pittsburgh. These were valued at \$9,000,000, almost half of all residential work begun during the month. May contracts for dwellings totaled \$15,717,000, compared with \$12,328,000 in April and \$11,771,000 a year ago. Total value of all building contracts last month was \$33,604,000;

April awards were \$31,241,000 and those for May 1939, \$50,435,000.

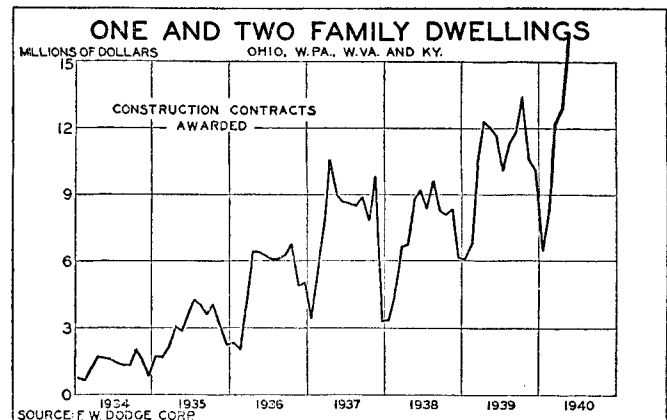
*F. W. Dodge Corporation* May reports show that the principal gains made in residential contracts were in the one- and two-family house classification which increased 27.1 percent over April and 36.8 percent over May last year. Construction of owner-occupied single dwellings is up more than one-third over both a month ago and a year ago. Speculative building of one-family houses for rent or sale was one-eighth greater in May than in the previous month, and almost 50 percent above the same month in 1939. The largest percentage gain was made in the two-family classification which was up 52.5 percent from April, but the value was under that for March. While contracts awarded during May for apartment building were two and one-quarter times as large as in April, they fell far short in number, size, and value of January awards which nearly equalled the June 1939 record.

Improvement in all residential building last month was evenly spread over the district with the erection of 380 new apartment units in Cincinnati giving that area the largest gains over both April and May 1939. Construction of one- and two-family homes was greatest in the Cleveland section, although Pittsburgh enjoyed the biggest increase over last month.

Contracts awarded for factory buildings in this district lost considerable ground during May although the value remained above that for the late spring months of 1938 and 1939. Most of the 28.4 percent decline from April was registered in the Cincinnati area where the amount of commercial building also decreased. Factory construction showed a slight gain in the Cleveland district, but it was not enough to offset the loss in the Pittsburgh region which was about half that in the Cincinnati area. Cleveland commercial construction gain was equal to the total increase made in the three areas; the loss in the Cincinnati section was canceled by an equal gain in Pittsburgh. Commercial building contracts currently are at levels reached in the late summer of 1937.

Scattered reports for the first three weeks of June contain evidence of expansion in factory and engineering construction throughout the country and several new private projects have been announced by leading concerns in this district. The upswing indicated that the June figure would show rather large gains in this field over last year.

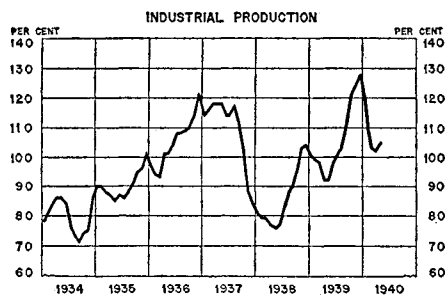
Public works projects in the fourth district during May exceeded the \$10,000,000 mark for the first time since last September. Contracts let in the Pittsburgh area were valued at more than \$5,000,000, a gain of \$1,000,000 over April.



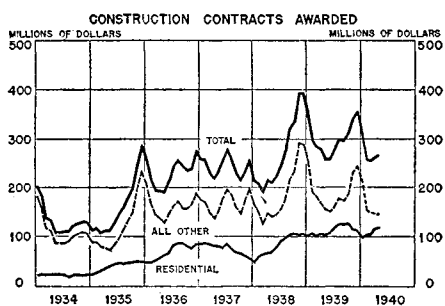


## Summary of National Business Conditions

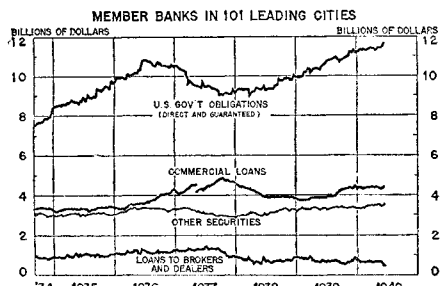
By the Board of Governors of the Federal Reserve System



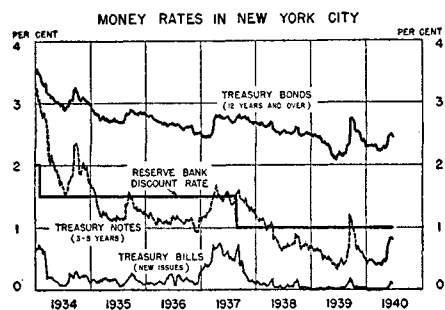
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to May 1940. Latest Figure 105.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for April and May and estimate for June.



Wednesday figures, September 5, 1934 to June 15, 1940. Commercial loans based on new classification beginning May 19, 1937.



For weeks ending January 6, 1934, to June 15, 1940.

Industrial activity increased considerably in May and the first half of June, while prices of commodities and securities declined sharply in the middle of May and fluctuated near the lower levels after that time. Distribution of commodities to consumers was maintained at levels prevailing earlier this year.

### Production

Volume of industrial production increased in May and the Board's seasonally adjusted index advanced from 102 to 105. The rise in May reflected chiefly sharp increases in activity at steel mills and woolen mills. Steel production in May was at about 72 per cent of capacity, as compared with 60 in April, and by the third week of June activity had risen further to 88 per cent. Lumber production also increased. In the automobile industry, where output had been at a high rate in the first four months of the year, dealers' stocks were in large volume and production was curtailed in May and the first half of June. Retail sales of automobiles continued at a high level during most of May, although in the middle of the month a temporary sharp reduction was reported.

In the woolen textile industry activity in May rose sharply from the low level reached in April. At cotton mills activity was maintained at about the rate prevailing in March and April and was somewhat lower than in the early months of the year. Rayon production continued large, while mill takings of raw silk declined to the lowest level in nearly twenty years. In other industries producing nondurable manufactures activity generally showed little change from April to May.

Coal production in May continued at a high level for this time of the year, reflecting in part increased exports and unusually large shipments of coal to Upper Lake ports. Iron ore shipments down the Lakes were also large for this season. Petroleum production in May declined somewhat from the high rate maintained in March and April.

Value of construction contract awards increased further in May, according to figures of the F. W. Dodge Corporation, reflecting principally continued growth of private building. Private residential contracts rose to the highest level in the past 10 years. Awards for commercial buildings advanced somewhat further while those for factory construction continued at about the level reached in April. Both were considerably larger than a year ago. Contracts for public construction increased slightly in May but were about one-sixth lower than a year earlier.

### Distribution

Department store sales in May declined from the level prevailing in the past three months, while sales at variety stores and mail-order houses were largely maintained at earlier levels. In the first week of June department store sales increased considerably.

Volume of railroad freight traffic increased in May, reflecting larger shipments of miscellaneous merchandise, coal, and forest products. Loadings of grain declined.

### Foreign Trade

Total exports of United States merchandise showed little change from April to May. Increases were reported in shipments to Canada and Australia and to Italy and Finland, while exports to other European nations showed declines.

The monetary gold stock of the United States increased by \$439,000,000 in May and by \$250,000,000 in the first two weeks of June.

### Commodity Prices

Following a general decline in basic commodity prices around the middle of May, prices of industrial materials, particularly steel scrap, zinc, tin, and wool, advanced and by the middle of June were in some instances above the levels of early May. Raw cotton prices also increased, and in the second week of June prices of cotton gray goods likewise advanced as sales of these goods were in exceptionally large volume. Prices of a number of foodstuffs continued to decline.

### Bank Credit

Total loans and investments at reporting member banks in 101 leading cities showed little net change during the four weeks ending June 5. Holdings of United States Government obligations increased further at New York City banks, while loans to security brokers and dealers declined considerably. Deposits and reserves of member banks continued to increase sharply as a result mainly of heavy gold imports.

### Government Security Market

Prices of Government securities held relatively steady during the latter part of May and the first part of June, after a reaction at the time of the invasion of Belgium and Holland. Subsequently prices increased sharply, and on June 15 the yield on the 1960-1965 bonds was 2.40 per cent, compared with 2.52 per cent on June 10 and 2.26 per cent at this year's peak in prices on April 2.