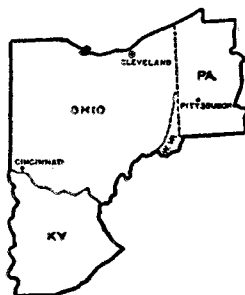


# MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 7

While industrial activity in this district during July has not increased at the rate experienced in June, judged by scattered reports, it has held at a relatively high level for this time of year when some of the important lines are affected by seasonal conditions. Several factors have worked together to produce this situation, chief among which is buying of goods in advance of needs, the results of which are now appearing in certain lines, either in the form of increases in inventories or contractions in the rate of incoming orders. Operations on these advance orders have held up well.

In steel, the line most affected, forward buying has tapered off somewhat. However, backlogs are of such size that operations are expected to change only slightly in the near future. Automobile material requirements for new models are counted on to expand, and metal requirements of the defense program are beginning to appear in such lines as structural steel. In what usually is a slack period, operations for the steel industry as a whole were at the highest level of the year. Vacation shutdowns and limited demands for light gauge sheets have affected production in some of the steel centers of this district recently, and all except Wheeling in the fourth week of July were below the national average.

Not all industry has been stimulated by increased demand growing out of the war abroad or our desire to create a war machine, nor has the improvement continued over a long enough period so that general increases for the first six months might be shown over a similar period of last year. The oil industry, which is important in certain parts of this district, has been very severely affected by the war. Much of the oil produced in this locality is of high lubricating quality, and 25 percent ordinarily has been exported. Removal of these markets has created a serious inventory situation, and prices have dropped sharply from the level to which they rose last fall. Not all machine tool companies have increased operations to the same degree, and shoe production has lagged behind last year. Total new construction in this district in the first six months was down seven per cent from the comparable period of 1939, although residential building was ahead by 16.5 percent, and recent increases in factory and commercial contracts awarded pointed to a greatly changed situation in that field.

The accompanying chart, and the table on page seven, comparing operations in certain important fields of the district for the first half of 1940 and 1939, show how irregular the gains have been. Lake traffic, evidenced by coal and ore

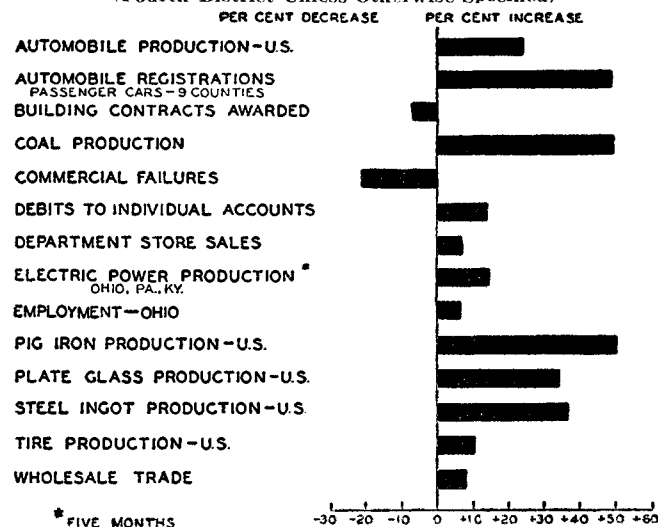
loadings, showed the greatest increase with pig iron, cement, and steel ingot production showing marked improvement. The gain in electric power production of 15 per cent for the first five months was unusually large.

Department store sales, as a result of recent improvement, were up seven percent in the first six months; the June increase was ten percent. Automobile registrations attest to the favorable position the auto and parts industries as a whole have enjoyed so far this year. Some parts plants also are active supplying airplane materials. Truck production has been stimulated by war orders, and retail sales of passenger cars have held up very well.

The decline in commercial failures of 21 percent must be favorably regarded and bank debits, which were up 15 percent, are another sign of increased activity.

The agricultural situation is not so favorable; farm income in this section has been running ahead of last year, but prices have declined recently and indicated yields are not encouraging. Weather has hampered farm work in many sections, and crop prospects are not so promising as they have been in recent years. In addition, the market outlook for some important fourth district crops is somewhat restricted.

**FOURTH DISTRICT BUSINESS INDICATORS**  
First Half of 1940 Compared with Same Period of 1939  
(Fourth District Unless Otherwise Specified)



## FINANCIAL

**Member Bank Credit** Continuation of the trend commented upon last month whereby loans of leading banks have expanded and investments declined, was evident in the four weeks ended July 17. Current loan activity is not very great, but banks report some customer inquiries regarding the possibility of obtaining funds that might be needed should bids be accepted on Government defense work. As yet, those inquiries have exceeded the number of loans actually made which could be traced to war or defense orders, but not all loans are easily classified.

Total loans of banks in leading cities of this district in mid-July were at approximately the highest level in over two years, but loanable funds at these banks continued to expand. In the latest period for which figures are available, member bank reserves on deposit with the Federal Reserve Bank of Cleveland exceeded requirements by \$437,000,000, or 116 percent, a new high record. While the distribution of the surplus of loanable funds was not uniform, country banks had an excess of 92 percent and banks in reserve cities 122 percent.

Although cash subscriptions to the new 2¼ percent fourteen to sixteen year Government bond issue were many times the allotment available to subscribers in this district, banks in leading cities reduced their total holdings of direct Government obligations further in the four latest weeks. Holdings of such securities were smaller than in nearly two years, and since the beginning of this year a contraction of 9.5 percent has occurred. Investments in other than Government securities were down slightly in the third week of July from the month previous, but they remain somewhat above the lowest level of the year touched in February.

Demand deposits continued their upward trend in the four latest weeks, but time deposits were little changed.

**Reserve Bank Credit** At the reserve bank, changes in earning assets largely reflected shifts in the distribution of the System's holdings of Government securities among the various reserve banks. Increases in bills discounted and industrial advances in the four latest weeks were purely nominal. Circulation of Federal Reserve notes attained new high levels in mid-July, and it failed to decline as much as usual, following a holiday upswing early in the month. In fact, in the third week of July note circulation was at a new high figure of \$479,000,000. Bank debits, as evidenced by figures compiled from reports supplied by leading banks of the district, were 15 percent larger in the four weeks ended July 17 than those in the comparable period of 1939.

## MANUFACTURING, MINING

**Iron and Steel** Steel operations recovered immediately after the July 4 shutdown, and in the fourth week of the month were above pre-holiday levels as new business continued in better than seasonal volume. Domestic demand for sheets and strip has fallen off slightly since automobile companies as yet have not ordered heavily for new model requirements. However, releases have been received on low-priced tonnage, and rolling schedules have been maintained as mills completed shipments of this material.

Demand for heavier steels is reported to be better than for flat-rolled, but activity varies considerably between markets. Generally, bookings have been large enough to permit some accumulation of mill backlogs. Deliveries of

bars have been deferred somewhat, but specifications on most grades call for fairly prompt shipment. A feature of the market has been increasing demand from railroads for both rails and rolling stock. June orders for 7,475 cars brought the six months' total to 16,178 units, the largest first half volume since 1937. Buying of structurals and shapes was brisk during the fourth week of July, and demand was expected to continue strong as steel is called for under national defense program construction contracts already awarded.

In June, domestic steel ingot production was 5,532,910 net tons, 85 percent of rated capacity. Despite the rapid expansion in operations which carried the national rate from 61 percent in the middle of April to 89 percent late last month, production for the second quarter only equaled that of the first three months. Total six months' output of 28,678,124 tons was 6.4 percent under output in the preceding half-year, but more than one-third better than that of the same 1939 period.

Reflecting the further acceleration in steelmaking, June pig iron production, at 83.6 percent of capacity, was up nine percent from that of May, and the best for any month since January. Eleven blast furnaces depending primarily on Lake Superior ores were blown in last month, and three more became active early in July. At the end of June, 148 stacks were in blast, the largest number for that date since 1929. Consumption of 5,212,699 tons of ore consequently was the heaviest for that month since June 1929. Unusually large receipts of ore at Lower Lake ports have built up stocks on Lake Erie docks and at furnaces somewhat, but they were ten percent smaller than those held at the end of June last year.

At the middle of July, over 99 percent of total trip capacity of American Great Lakes ore vessels was commissioned in the ore trade. This is the highest operating rate for the fleet since 1929, except for the first half of the 1937 navigating season when every available ship was in service. Decline of the fleet since 1937 to 297 vessels (of which 294 are in commission) from 312 has not resulted in a decrease in capacity afloat because of the addition of four large ships. Total carrying capacity of the present active fleet is 2,693,440 gross tons per trip against 2,637,000 tons in 1937. The earlier figure was based on 19-foot draft for the vessels while this year's is on 20-foot draft because of deeper water in lake-connecting passages, the result of Government dredging.

June shipments of Lake Superior iron ore, the heaviest for any month since August 1937, were 9,525,494 gross tons, approximately one-third larger than May loadings, and two and a half times June 1939 movement. Last month's volume failed to equal trade estimates since heavy loadings of coal for Upper Lake ports slowed down return trips. This month, many vessels were going north light, and early July receipts at Lake Erie ports were at a rate in excess of 10,000,000 tons monthly.

Consumption of steelmaking grades of scrap rose slightly during June to 3,482,000 gross tons. This compares with 3,353,000 tons used the month previous, and 2,221,000 tons in June 1939.

Domestic scrap prices have declined slowly in the face of light buying by consumers, since most melters are reported to be working off present stocks. Considerable tonnages which had been collected on the Atlantic seaboard for shipment to Europe overhang the market.

Italian declaration of war closed the usual route for man-

ganese shipments from Russian Black Sea ports to the United States. Since then leading producers have raised the price of ferro-manganese for third quarter delivery to \$120 per ton, up about 40 percent from a year ago.

The domestic stock pile of manganese is about 950,000 tons, a supply sufficient for a year or eighteen months' sustained steelmaking activity. Brazil is an important producer of this necessary element in the making of steel, but the only nearby source of imports is Cuba. That country's production now is at the rate of approximately 100,000 tons annually. American operators of those mines have intimated that under emergency conditions output could be doubled or trebled within a comparatively short time. It is considered doubtful, however, if production of mines in Arkansas, Georgia, Montana, and Tennessee could be increased much over the 55,000 tons now mined each year.

**Coal** Coal production in recent months has been bolstered by the continued high rate of industrial demand as well as by heavy movements of lake coal resulting from the desire of Northwestern distributors to stock up for next winter's needs before new price schedules go into effect. According to the director of the National Bituminous Coal Commission, minimum prices under the Guffey Act will become effective September 3, when marketing rules also will become operative. The drive by the Consumers' Council of the Department of the Interior to induce consumers to expedite purchases at this time so as to avoid transportation bottlenecks later is a new factor sustaining production near the 8,000,000-ton per week mark for twelve consecutive weeks. Additional strength has been gained from high rates of activity at captive mines of railroads and steel companies.

Weekly output of mines in the fourth district held at slightly higher rates than did national production during June and early July. As some mines in Western Pennsylvania and Eastern Ohio were reopened last month, district output declined only 2.5 percent from that of May while bituminous production for the entire country was down about eight percent. In the first six months of this year tonnage produced by fourth district mines was up 48.8 percent over the corresponding period last year; output of all soft coal mines in the country gained 36.5 percent. Mines were closed several weeks last year.

June loadings of coal at Lake Erie ports totaled 7,746,181 net tons to set a new record high. For three consecutive months, the largest tonnages in more than ten years have moved north. Total loadings for the present navigation

season are more than two and a half times what they were last year, when early shipping was hindered somewhat by curtailed mine production while a new operating contract was negotiated, and five percent above 1937, the year when previous high volume records were made. Nearly half of this year's heavy tonnage has moved through the port of Toledo.

**Automobiles** Slower in starting to decline this year than previously, United States automobile production dropped twelve percent from May to June as most independent manufacturers curtailed assemblies of 1940 models. A further contraction was recorded during early July, although unit production did not fall below that in the corresponding week last year until the third week in the month. Few but the volume producers continued assemblies of 1940 cars beyond mid-July, and at least two manufacturers were turning out 1941 models by that time. June production of 344,636 passenger cars, trucks, busses, and road tractors brought total assemblies for the six months to more than 2,425,000 units—the largest first half output since 1937, and only slightly less than six months' volume in 1936.

Truck assemblies during June were reduced at approximately the same rate as passenger car manufacture, although makers of heavy models were sustained, to some extent, by Government purchases of scout cars for national defense. All French orders, except those for light models, were assumed by the British, who have made no commitments since capitulation of their ally.

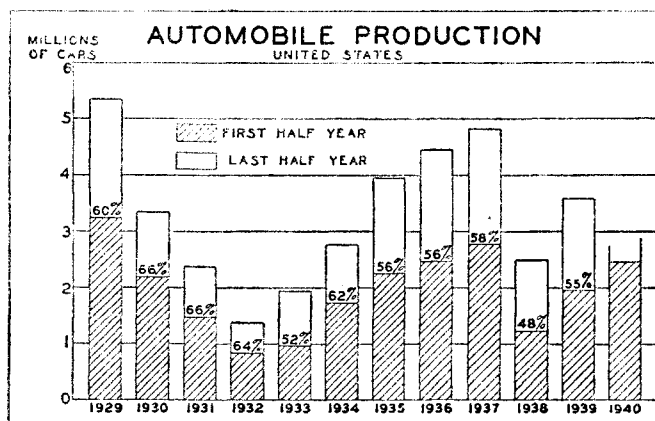
June retail sales of new cars in the domestic market during the first twenty days of the month little more than equaled those in the corresponding May period when deliveries were cut drastically because of the confused foreign situation. In the final ten days of last month, a sharp increase was noted, as people who had deferred buying purchased before increased excise taxes raised prices slightly. Deliveries totaled 402,241 units, according to the *Automobile Manufacturers Association*. This is a gain of 4.3 percent over May and 33.2 percent over June last year. Usually, a decline of about five percent is expected from May to June.

Field reports early in July indicated that deliveries of new cars were running ahead of the corresponding June period, an upturn without precedent since the model year has been on its present basis, and one with few parallels in the industry's history. Part of the contraseasonal rise is said to be stimulated by widespread anticipation of advances in car prices. Some dealers reportedly have closed sales on strength of the argument that new models would be delayed.

Satisfactory sales experience has enabled dealers to reduce stocks on hand somewhat. However, production continued at more than 50,000 units weekly until late July, and inventories of new cars in warehouses, in transit, and on dealers' floors, reported to be approximately 400,000, were higher at this season than for many years. A *National Automobile Dealers Association* survey of 500 members showed June 30 new car stocks to be 15.7 percent larger than those a year earlier; used car stocks were up 16.2 percent.

New car registrations during June in eight major Ohio counties totaled 14,111, an increase of two percent over May and 47 percent above last year. Largest gains, both from the previous month and from last year, were made by the medium-priced lines.

June was reported to be the low month in operations at parts and equipment manufacturing plants as releases were



received on most 1940 model work. Employment fell, but not so sharply as payrolls since average hours worked were reduced somewhat. Production was curtailed, and inventories of finished goods were worked off to approximately the same quantities as were held a year ago. Operations expanded early in July when new business was received in substantial volume. Order backlogs were built up slightly since production failed to increase as rapidly as new business.

#### **Rubber, Tires**

Tire shipments during June rose sharply for the fourth consecutive month as replacement sales advanced to the highest level in more than seven years. Original equipment demand fell slightly from that of May, although not so much as seasonally expected. Consequently, total shipments of 6,718,761 castings were larger than for any other month since August 1929, with the exception of June 1932 when more than 10,000,000 tires were shipped. Last month's total manufacturers' sales were 17.5 percent greater than those of May, and 14.9 percent above June a year ago. Shipments of casings to dealers and other replacement tire distributors registered a gain of 30 percent over those in the previous month. June sales this year were 7.5 percent better than last year's.

Much of the heavy volume of replacement tire business has been attributed to special sales promotions and price reductions on low grade casings; some buying apparently had been deferred until summer on account of unfavorable weather earlier this year. Since experience of the entire industry last month was somewhat better than that of some large manufacturers, trade observers believed this indicated building of inventories held by private brand distributors against increased prices resulting from heavier excise taxes. The new tax rates raised tire and tube prices only about one percent, and few manufacturers reported evidence that consumer sales were stimulated by this increase, although dealers appeared to have anticipated the higher prices to some extent.

Tire production fell less last month than did crude rubber consumption, indicating a large volume of work in process at the end of May. Production declined 5.3 percent from May to June while consumption of crude rubber dropped 9.9 percent. Last month 5,127,384 tires were turned out, three percent more than in June 1939. Crude rubber consumption, at 46,506 gross tons, was down four percent from that of last year.

With production 24 percent under shipments, manufacturers' inventories of tires dropped 15 percent during June, and at the month end were smaller than since December. However, they were four percent larger than a year ago.

Imports of crude rubber rose about five percent last month, and were 56.8 percent larger than those of June 1939. Since receipts were heavier and consumption less, stocks in this country rose to 168,235 tons, the largest since July last year.

Stocks afloat to the United States at the end of June were larger than those at the end of any other month since complete data became available in 1923. Included in the record movement of 119,138 tons were reportedly heavy consignments for the national defense reserve pool.

Demand for mechanical rubber goods was said to be increasing early in July. Sales last month were small, but better than a year ago. Inquiries, particularly for items

to be used in domestic preparedness, were received, although few orders were placed promptly.

#### **Textiles and Clothing**

Reflecting the beginning of work for the fall season, employment in eleven Cleveland textile and needlework firms gained considerably in June to reach the highest level since March, the month work on summer merchandise first was being curtailed. Most sample lines of women's wear were ready for salesmen early last month. First reports from the road indicated that retailers were making commitments cautiously, but after style center showings, the outlook improved somewhat. The demand for more expensive women's coats and suits was especially noted. Also evident were the more generous buying budgets, particularly of apparel stores in industrial cities. In general, aggregate orders placed at the shows appeared to be a little above the 1939 level.

Business of men's tropical and summer weight suits and sportswear makers slumped sharply last month as weather in many sections of the country continued unseasonal. Retail buying which had been deferred because of the late summer was further delayed. One larger manufacturer reported in mid-July that production of this merchandise had been suspended almost entirely for a period of three weeks. June shipments on reorders were down almost one-third, and July business was only a little better.

Activity in manufacturing tailor shops making full seasonal lines of men's wear improved last month as first shipments were made against fall orders. Despite the fact that retailers have large stocks of medium- and heavy-weight clothing carried over from last season, makers were optimistic as orders were received in volume reportedly high enough to assure near-capacity operations until early fall. Plans for next spring's merchandise are going ahead as usual, trade sources stated. However, those who sell under resale price maintenance contracts were hesitant in setting retail prices very far in advance.

Late shipments of spring orders enabled manufacturers of cotton work garments to ship more in June than in the previous month. Bookings then were better than those of May. Most orders specified fall delivery, and production to meet this demand has assured summer operations without preparedness business.

#### **Other Manufacturing**

Although stimulating effects of the national preparedness program as yet have been felt in only a few of the general manufacturing lines in the fourth district, some upswing in inquiries and new orders was noted early this month by most correspondents and sentiment improved considerably. Current commitments were being made cautiously, it was reported, although no definite purchasing and inventory policies have been adopted, even by a single industry.

Domestic purchases of machine tools increased substantially in June over May and exceeded the buying of last fall, according to reports. Orders for foreign account declined sharply, and the industry's index of operations dropped slightly to 92.3 percent of capacity. Company-wide shutdowns for vacations were one reason for the contraction, but capacity, the base for the index, has

been rising. More vacations have been announced for July, at which time some companies plan to make extensive rearrangements of present equipment and facilities for more effective utilization of existing plant. Most manufacturers appear to be working overtime, since the gain in payrolls last month was greater than that in employment.

Manufacturers of small tools reported in mid-July that production was being kept closely in line with sales, and continued at about the same volume that has prevailed since January. Armament demand has replaced purchases by the automotive industries which are making few commitments at this time.

Present bookings by the forging and heavy hardware industries are said to be considerably above last month and last year. No defense orders have been received as yet, but trade sources believe much of current volume resulted from fear that Government priorities would be introduced in this industry.

Large contracts awarded for generating equipment to be installed in ships planned by the Navy have raised backlogs of heavy electrical equipment manufacturers to the highest levels in recent years, but smaller concerns have failed to participate in such business. June sales for this latter group were almost identical with those of last year, but six months' dollar volume was nearly one-fifth larger than that of 1939. New orders reported in early July were at a rate considerably higher than a year ago. Refrigerator sales have held up well with backlogs at plants higher than is usual at this season.

June domestic sales for some office machine companies were the largest in history, and July business was said to be running 20 percent better than last year. Experience of office furniture manufacturers was similar, and production and shipments appeared related closely to backlogs.

Several equipment repair programs of glass makers were postponed early this month as it became evident that demand for window glass was not declining as much as seasonally expected. Plate glass production fell as 1940 model automobile assembly gradually slackened. Specifications for 1941 requirements were being received, however, and first shipments under these orders have been planned for the middle of August. Inventories of most companies were being reduced slightly as shipments outstripped production. Stocks of glass containers were reported to be about equal to those last year, and orders continue only in nominal volume. Production remained steady.

Production in the china and dinnerware industry fell to approximately 50 per cent of capacity during June, but prospects improved considerably early in July. Manufacturers stated that response to the annual summer china and glass show was encouraging, and new orders were received in volume substantially above a year ago.

The pulp situation has caused a great deal of confusion in the paper and boxboard industries. Supplies in this country have been reduced as paperboard mills continued to run at better than 75 percent of capacity during May and June. Production slipped sharply early in July, but operations recovered after the holiday. Some Scandinavian pulp has arrived in this country from White Sea ports, and efforts are being made to secure more by way of this route.

New orders for fine papers began to drop off in June

after price increases were announced. Production declined accordingly, although backlogs which will require one month to forty-five days to fill are said to be held.

June shoe production in the fourth district increased more than was expected seasonally as work for the new fall and winter season progressed rapidly and reorders of summer shoes were received in good volume. Stocks in hands of dealers were said to be better balanced than a month ago, although the large carryover of spring shoes has induced retailers to buy more cautiously for fall. Collections have been unusually prompt all season.

With the exception of lead pigments, paint materials early in July started to show their usual summer declines. Adverse weather cut heavily into sale of outside paints during the spring season, and although conditions recently have been more favorable, it was generally conceded by the trade that business lost earlier could not be regained.

Losing approximately one-third of their usual volume because of curtailed foreign buying, carbon companies have found it necessary to rearrange production and employment schedules somewhat. Demand from radio companies has slackened as these manufacturers, too, have lost their export markets which normally take about ten percent of total output.

## TRADE

### Retail

Retail trade during the first six months of this year showed improvement over that of the corresponding period in 1939 even though unseasonal weather delayed early spring and summer buying somewhat. Dollar sales at fourth district department stores made a gain of seven percent; retail furniture stores sold 16.2 percent more home furnishings this year than last; grocery chains raised their dollar volume per store one-eighth. Only wearing apparel shops failed to show larger sales for the first half of 1940 than for last year. An unusually early Easter and disagreeable weather until late in the summer cut the sale of seasonal, style merchandise. Not until the first part of June did customer purchases become as large as expected, but even so, six months' dollar volume was only six-tenths of one percent under that of last year.

Department store sales each week in June and early in July showed marked improvement over those of corresponding weeks in 1939. June dollar volume was 10.6 percent better than that last year. Improvement was reported in all cities of the district, with smallest gains shown in Toledo and Wheeling where factory employment has fluctuated considerably during recent weeks. Collections remained good.

Although sales of chain groceries fell about two percent from May to June, last month's dollar volume per store operated was up 15.4 percent from that of June 1939. Furniture store sales declined 10.5 percent from those of May, but a gain of 27.2 percent was registered over last year.

Inventories at department stores were reduced 9.2 percent during the month as customer buying picked up; however, June 30 stocks were almost three percent larger than those a year previous.

### Wholesale

Fourth district wholesalers sold practically the same amount of goods during June as they did in May since few sizable gains or losses were reported in any of the prin-

cial trading centers. General improvement was noted in most cities from last year to this, however, and total volume was up 9.4 percent.

Some reductions were made in wholesale inventories during June but at the end of the month they were up 4.2 percent from the previous year. However, experience was varied. Paper distributors had stocks 34 percent larger than those held on June 30, 1939. This was a result of increased prices announced early last month by fine paper makers.

### CONSTRUCTION

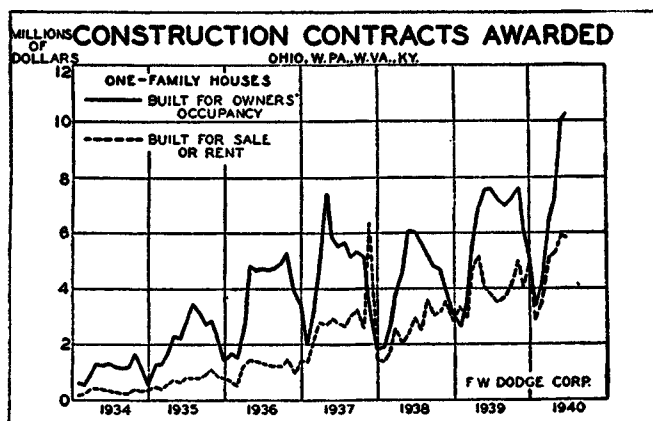
Weekly awards for industrial buildings currently are increasing, but they are still in moderate volume. Several sizable factory and warehouse expansion programs have been announced recently by fourth district industries. Much of the increase in production capacity of plants, heretofore, was reported to be a result of rearrangement of equipment and facilities in existing buildings.

Experience in this district during June was practically the reverse of that for the country as a whole. Awards for all types of construction were the best for that month in a decade, except for June 1939. Contract volume was one-twelfth under a year ago, but 8.7 percent better than May. Sizable gains in residential and public works construction more than offset about a million dollar decline in non-residential and utilities award volume.

In the fourth district, residential building last month was the best for any month since June 1928, with the exception of June 1939. Contracts for dwellings accounted for a little more than half of all construction awards. They were 17.7 percent above those of May and only 6.5 percent under those of June last year, a month when \$9,000,000 worth of United States Housing Authority building was started in Cleveland, Columbus, and Pittsburgh. This year only \$4,000,000 in Government project contracts were awarded in June. The larger project, to cost \$3,000,000, was for a 750 unit apartment house development in Cincinnati; the other was for erection of 276 single family dwellings in Akron.

In the Pittsburgh region, more than three-fourths of residential construction last month was of single dwellings for owner occupancy. More numerous inquiries and sales both of dwellings and for investment purposes have been reported, with some banks noting increased activity in mortgage loans, mostly under the F.H.A. plan.

Inquiries for building supplies and lumber were received in good volume in mid-July, but few actual sales of any size were made, manufacturers and wholesalers reported.



Most retailers seemed unwilling to add greatly to small inventories on hand; they appeared to be placing orders for small, mixed lots only as needed, specifying prompt delivery. Such cautious policies have forced wholesalers to carry well-rounded stocks, but these dealers, too, were loathe to build inventories, reports indicated.

### AGRICULTURE

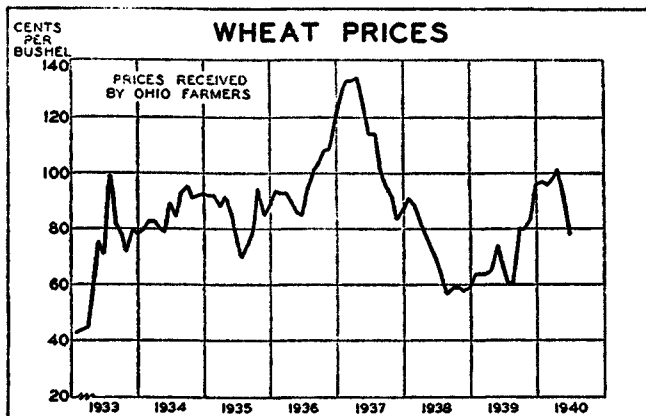
Crop prospects for the fourth district, as reported on July 1, indicated a considerably smaller corn crop than last year, but production of small grains was expected to exceed that of 1939. Hay and forage crop production was reported to be much above the ten-year average and one-fifth larger than last year. Acreage of burley tobacco was cut about ten percent this year, but in the Miami Valley, cigar tobacco acreage registered a slight gain. Although acreage planted to white potatoes was greater, an excessively wet growing season in most sections of the district cut expected total production some as yields per acre fell sharply.

### PRINCIPAL CROPS—FOURTH DISTRICT (000 omitted)

	July 1, 1940 estimated crop	1939 harvest	% change 1940 from 1939	10-year average 1930-1939	% change 1940 from 10-year average
Wheat, bu. ....	44,201	42,149	+ 4.9	44,883	- 1.5
Winter wheat, bu.	44,066	42,034	+ 4.8	.....	.....
Spring wheat, bu.	135	115	+17.4	.....	.....
Corn, bu. ....	172,305	212,109	-18.8	170,557	+ 1.0
Oats, bu. ....	45,155	43,759	+ 3.2	53,126	-15.0
Tame hay, tons....	6,130	5,094	+20.3	4,403	+39.2
Tobacco, lbs. ....	111,676	126,363	-11.6	125,434	-11.0
White potatoes, bu.	19,731	20,229	- 2.5	19,627	+ 0.5

**Wheat** Scab is very prevalent in most fourth district wheat fields this season, according to the *Federal-State Crop Reporting Services*. Heaviest infestation is in Southwestern Ohio sections where harvest began early in June; cutting was delayed about two weeks later than usual in Northern Ohio areas because cool, wet weather retarded development of the crop. Aside from reducing yields to some extent, the quality of the infected wheat may be lowered. With the harvest season quite late this year, practically no threshing had been done on Ohio farms by July 1, and the indicated yield of 20 bushels per acre was more or less tentative.

**Corn and Hogs** Rains throughout most sections during much of June seriously interfered with the cultivation of some of the corn crop, particularly in Northeastern Ohio. Wet, soggy ground made it difficult to complete corn planting in some areas, and in Northern counties much corn was planted in late June and early this month. The July 1 Ohio crop report pointed to a yield



per acre of 41 bushels, considerably below the 50 bushel yield in 1939, but somewhat above the ten-year average due to increasing use of corn hybrids.

The Ohio spring pig crop was four percent smaller than a year ago. Estimated by the *Federal-State Crop Reporting Service* at 2,499,000 head, the 1940 crop is 103,000 head below last year, but 295,000 head above the ten-year average. It was estimated that one percent more sows farrowed this spring than last, but the average number of pigs saved per litter this year was only 6.17 compared with 6.49 in 1939 and 6.53, the ten-year average. Farmers expect five percent fewer sows to farrow this fall than last.

**Pastures and Hay** Abnormal June rainfall hindered cutting and curing of the unusually large hay crop of the fourth district, but indicated yields in all sections were the largest in many years. In Kentucky, the bluegrass seed crop turned out much better than was expected. Last month, alfalfa hay and early clovers were cut; the clovers were well-headed, but some farmers reported that lower parts of plants had been rotted by the wet ground. Pastures throughout the district were luxuriant, averaging better than 90 percent of normal.

**Tobacco** Generally, the weather has been cool for tobacco. Transplanting of plants was delayed in most localities until early June, after which time the work went for-

ward quite rapidly. Acreage of the Kentucky crop was cut this year and the yield per acre also was estimated below 1939. Due to a sharp reduction in plantings of burley, yields estimated as the best in recent years will fail to bring total Ohio production to last year's level.

**Fourth District Business Indexes**

(1923-25 = 100)

	June 1940	June 1939	June 1938	June 1937	June 1936
Bank debits (24 cities)	91	81	74	98	90
Commercial Failures (Number)	29	43	62	37	38
(Liabilities)	20	21	27	49	18
Sales—Life Insurance (O. and Pa.)	81	75	72	99	93
—Department Stores (48 firms)	93	82	75	95	84
—Wholesale Drugs (5 firms)	100	100	98	109	96
—Dry Goods (8 firms)	45	45	36	51	48
—Groceries (53 firms)	76	75	75	88	75
—Hardware (43 firms)	97	81	72	102	88
—All (109 firms)	77	72	69	86	74
—Chain Drugs (4 firms)**	92	89	89	94	89
Building Contracts (Total)	78	85	52	73	43
(Residential)	111	119	51	55	45
Production—Coal (O., W. Pa., E. Ky.)	76	65	17	75	68
—Cement (O., W. Pa., E. Ky.)	105	97	80	94	105
—Elec. Power (O., Pa., Ky.)*	216	187	171	190	170
—Petroleum (O., Pa., Ky.)*	125	126	122	129	120
—Shoes	102	105	86	117	102

\* May.

\*\* Per individual unit operated.

**Fourth District Business Statistics**

(000 omitted)

Fourth District Unless Otherwise Specified	June 1940	% change from 1939	Jan.-June 1940	% change from 1939
Bank Debts—24 cities	\$2,454,000	+11.7	14,195,000	+15.0
Savings Deposits—end of month				
40 banks—O. and W. Pa.	\$ 786,528	+ 0.7	1	1
Life Insurance Sales:				
Ohio and Pa.	\$ 77,556	+ 6.9	475,939	- 1.2
Retail Sales:				
Dept. Stores—52 firms	\$ 22,328	+10.6	121,692	+ 7.0
Wearing Apparel—12 firms	\$ 846	+ 3.0	4,825	- 0.6
Furniture—38 firms	\$ 1,075	+27.2	5,371	+16.2
Building Contracts—Total	\$ 37,052	- 8.5	173,819	- 7.0
—Residential	\$ 19,062	- 6.5	82,518	+16.5
Commercial Failures—Liabilities	\$ 873	- 7.7	5,692	-24.5
—Number	42 <sup>2</sup>	-33.3	363 <sup>3</sup>	-20.9
Production:				
Pig Iron—U. S. net tons	3,813	+60.6	21,043	+50.0
Steel Ingot—U. S. net tons	5,533	+57.0	28,678	+36.8
Auto—Passenger Car—U. S.	286,040 <sup>2</sup>	+15.9	2,026,435 <sup>2</sup>	+28.2
Auto—Trucks—U. S.	58,596 <sup>2</sup>	- 7.0	401,188 <sup>2</sup>	+ 5.6
Bituminous Coal—O., W. Pa., E. Ky.	13,656	+16.7	84,023	+48.8
Cement—O., W. Pa., W. Va. bbls.	1,261	+ 7.6	5,281	+30.9
Elec. Power, O., Pa., Ky.	1,816 <sup>3</sup>	+15.8	9,244 <sup>4</sup>	+14.6
Petroleum—O., Pa., Ky. bbls.	2,310 <sup>5</sup>	- 1.0	11,096 <sup>4</sup>	+ 5.2
Shoes	5	- 2.8	3	- 9.6
Tires—U. S. casings	5,127	+ 3.0	30,498	+10.1
Bituminous Coal shipments:				
L. E. Ports net tons	7,231	+40.8	18,836	+139.5

<sup>1</sup> not available.

<sup>2</sup> actual number.

<sup>3</sup> May.

<sup>4</sup> Jan.-May.

<sup>5</sup> confidential.

**Debts to Individual Accounts**

(Thousands of Dollars)

	4 Weeks ended July 17, 1940	% change from 1939	Year to Date		% change from 1939
			Dec. 28, 1939 to July 17, 1940	Year to Date Dec. 29, 1939 to July 19, 1939	
Akron	70,425	+18.4	476,546	426,510	+11.7
Butler	9,687	+18.2	65,640	57,709	+13.7
Canton	38,320	+19.3	259,020	223,345	+16.0
Cincinnati	325,328	+11.6	2,258,899	2,067,236	+ 9.3
Cleveland	602,669	+16.8	4,084,787	3,523,432	+15.9
Columbus	163,230	+ 1.2	1,226,951	1,116,705	+ 9.9
Dayton	67,229	-21.9	481,316	414,123	+16.2
Erie	29,278	+24.6	196,449	170,760	+15.1
Franklin	2,871	+11.1	21,613	17,860	+21.0
Greensburg	8,377	+21.3	52,718	43,540	+21.1
Hamilton	14,350	+20.3	77,626	70,322	+10.4
Homestead	3,767	+17.0	21,029	20,438	+17.6
Lexington	20,198	+ 2.5	167,308	161,499	+ 3.6
Lima	13,896	+ 4.9	97,711	85,982	+13.6
Lorain	5,735	+22.1	36,611	32,026	+14.3
Middletown	11,879	+28.4	80,271	66,600	+20.5
Oil City	9,001	+ 3.7	71,144	62,719	+13.4
Pittsburgh	685,691	+17.7	4,714,446	3,995,269	+18.0
Sharon	8,718	+24.8	57,180	51,411	+11.2
Springfield	16,357	+ 3.0	116,209	112,721	+ 3.1
Steubenville	10,110	+12.3	67,710	59,748	+13.3
Toledo	117,869	+ 8.2	851,586	760,923	+11.9
Warren	10,416	+18.8	70,888	61,985	+14.4
Wheeling	30,773	+23.5	187,281	192,654	- 2.8
Youngstown	51,486	+16.2	340,617	285,342	+19.4
Zanesville	8,716	+13.6	58,987	53,172	+10.9
Total	2,333,376	+15.1	16,143,543	14,133,941	+14.2

**Wholesale and Retail Trade**

(1940 compared with 1939)

	SALES 1940	Percentage Increase or Decrease		STOCKS 1940
		SALES June 1940	SALES first 6 months	
<b>DEPARTMENT STORES (52)</b>				
Akron	+10.5	+ 6.6	+ 9.6	
Cincinnati	+11.8	+ 7.7	+ 2.3	
Cleveland	+ 8.7	+ 6.1	- 0.4	
Columbus	+11.2	+ 7.3	+ 8.8	
Erie	-10.6	+ 7.7	+ 1.2	
Pittsburgh	+12.9	+ 7.9	+ 0.7	
Toledo	+ 1.9	+ 4.6	+ 5.7	
Wheeling	+ 5.0	+ 1.5	+ 4.8	
Other Cities	+11.1	+ 8.3	+10.0	
District	+10.6	+ 7.0	+ 2.7	
<b>WEARING APPAREL (12)</b>				
Cincinnati	+11.7	+ 0.9	- 2.1	
Cleveland	- 0.3	- 0.8	- 4.4	
Pittsburgh	+ 7.1	- 2.3	+ 7.2	
District	+ 3.0	- 0.6	+ 0.8	
<b>FURNITURE (38)</b>				
Cincinnati	+ 8.5	+ 5.7		
Cleveland	+38.0	+19.2		
Columbus	+ 3.6	+ 7.3		
Dayton	+13.4	+14.3		
Toledo	+10.2	+13.8		
Other Cities	+38.2	+23.1		
District	+27.2	+16.2		
<b>CHAIN STORES*</b>				
Drugs—District (4)	+ 3.9	1		
Groceries—District (4)	+15.1	+12.4		
<b>WHOLESALE TRADE**</b>				
Automotive Supplies (9)	+ 8.2	+18.7	- 1.3	
Beer (5)	+18.5	+ 5.9	+ 7.7	
Clothing and Furnishings (4)	- 2.1	- 0.6	1	
Confectionery (4)	+ 2.2	+ 1.2	+ 3.7	
Drugs and Drug Sundries (5)	+ 0.5	+ 0.7	+ 6.7	
Dry Goods (8)	+ 1.6	+ 9.4	+ 0.6	
Electrical Goods (12)	+12.9	+17.8	-12.6	
Fresh Fruits & Vegetables (5)	- 4.2	+ 0.8	+ 1.8	
Grocery Group (53)	- 0.9	+ 3.8	+ 5.6	
Total Hardware Group (43)	+20.3	+14.9	+ 3.9	
General Hardware (9)	+17.8	+ 8.2	+ 7.2	
Heavy Hardware (4)	+22.5	1	1	
Industrial Supplies (16)	+27.5	+26.0	- 4.0	
Plumbing & Heating Supplies (14)	+12.7	+15.2	+ 9.4	
Jewelry & Optical Goods (3)	+60.0	1	1	
Lumber and Building Materials (4)	+11.4	+ 2.8	1	
Machinery, Equip. & Sup. (exc. Elect.) (3)	+20.5	1	1	
Meats and Meat Products (7)	- 0.2	+ 8.3	+ 6.5	
Metals (3)	+48.0	1	1	
Paints and Varnishes (6)	- 3.7	- 2.2	+ 1.0	
Paper and its Products (7)	+25.0	+13.5	+34.1	
Tobacco and its Products (17)	+ 5.2	+ 4.0	+ 8.3	
Miscellaneous (18)	+41.6	+15.3	+ 7.7	
District—All Wholesale Trade (216)	+ 9.4	+ 8.1	+ 4.2	

\* Per individual unit operated.

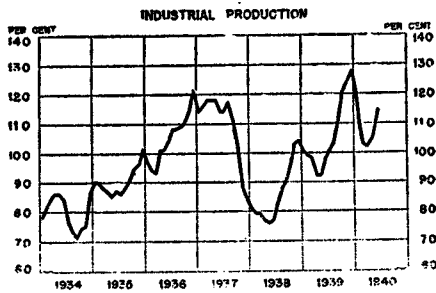
\*\* Wholesale data compiled by U. S. Department of Commerce.

<sup>1</sup> Not available.

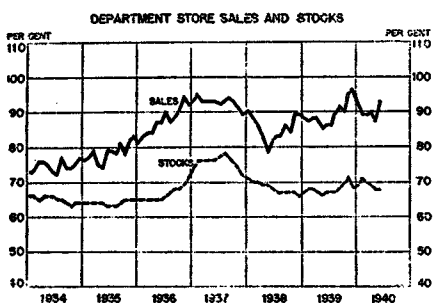
Figures in parentheses indicate number of firms.

## Summary of National Business Conditions

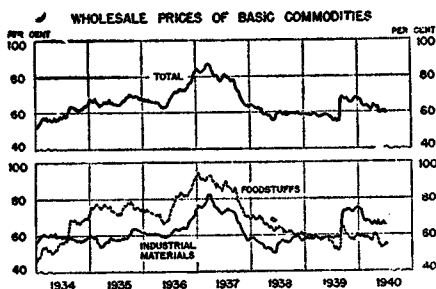
By the Board of Governors of the Federal Reserve System



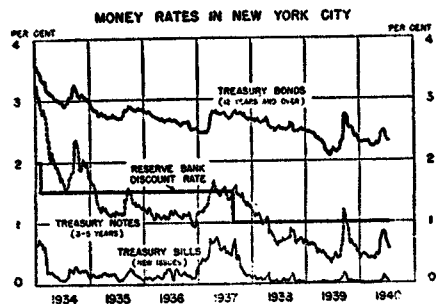
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to June 1940. Latest figure — 114.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1940. Latest figures—Sales 93, Stocks 68



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to July 11, 1940. Latest figures—Total 59.5; Foodstuffs 54.2; Industrial Materials 64.2.



For weeks ending January 6, 1934, to July 13, 1940. Latest figures—Treasury bonds 2.30; 3- to 5-year Treasury notes .56; 90-day Treasury bills (new issues) .008; Reserve bank discount rate 1.00.

Volume of industrial production increased rapidly during June and rose somewhat further in the first half of July. Distribution of commodities through retail and wholesale markets and by rail continued active.

### Production

The Board's seasonally adjusted index of industrial production advanced from 106 in May to 114 in June. In that Month, as in May, increases in activity were most marked in the iron and steel and textile industries where declines earlier in the year had been greatest.

Steel ingot production rose from 60 per cent of capacity at the beginning of May to 87 per cent in the latter part of June and was maintained at about that level in the first three weeks of July. Production of coke and pig iron showed similar sharp increases and iron ore shipments down the Lakes were at near-capacity levels.

Automobile production, which had begun to decline in May, continued to decrease in June and the first half of July reflecting in large part seasonal influences. Retail sales of automobiles were in large volume and dealers' stocks of new and used cars declined from the high levels prevailing earlier.

In the textile industry there was a further sharp advance in activity at woolen mills, and at cotton mills output was reduced less than seasonally. Rayon production was maintained at earlier high levels while at silk mills activity remained near the unusually low rate reached in May.

Coal production continued in large volume during June, but output of crude petroleum declined in the latter part of the month, owing to reduced production in Texas fields.

Value of construction contract awards showed little change from May to June, according to *F. W. Dodge Corporation* figures for 37 eastern States. Awards for private residential building decreased more than seasonally, following a sharp rise in May, and contracts for private non-residential building also declined. Contracts for public construction increased further in June, owing in part to expansion in the construction of Army and Navy air bases.

### Distribution

Department store sales in June were maintained at the May level, although usually there is a considerable decline, and the Board's seasonally adjusted index advanced to 93 as compared with 87 in May and a level of about 89 earlier in the year. Sales at variety stores showed little change from May to June, continuing at the advanced levels that has prevailed since the beginning of the year. In the early part of July department store sales declined seasonally from the June level.

Freight-car loadings increased further in June. Shipments of coal and miscellaneous merchandise continued to expand and loadings of coke, which usually decline at this season, showed a substantial rise.

### Commodity Prices

Prices of a number of industrial materials, particularly steel scrap, copper, rubber, and silk, declined from the middle of June to the middle of July. Wheat prices also showed decreases in this period, while prices of livestock and products advanced owing partly to seasonal influences.

### Agriculture

Production of major crops this season, according to the July 1 report of the *Department of Agriculture*, may be slightly lower than last season. Tobacco production will be sharply reduced from last year, when the crop was unusually large. Domestic supplies of wheat and other field crops as well as of vegetables and fruit are expected to show little change from last season. Indicated hog production this year will be about 10 per cent smaller than last year.

### Bank Credit

Total loans and investments at reporting member banks in 101 leading cities increased during the five weeks ending July 10, chiefly as a result of increases in holdings of short-term United States Government obligations and in commercial loans. Holdings of United States Government bonds and loans to security brokers and dealers declined.

The monetary gold stock increased by \$885,000,000 in this five-week period, the largest gold acquisition for any corresponding period on record. This inflow of gold was reflected in a growth of \$310,000,000 in foreign bank balances with the Federal Reserve Banks and in increased deposits and reserves of member banks. On July 10, excess reserves of member banks amounted to \$6,833,000,000.

### Government Security Market

Prices of Government securities, which had advanced sharply in June, showed further increases after July 8 when the Treasury announced a new bond issue for cash subscription.