

MONTHLY BUSINESS REVIEW

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and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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Industrial activity in this district moved rapidly into new high territory in May. It continued to expand during the first half of June, but at a more moderate rate than in earlier months partly because it is difficult to expand from the recent high rates of close to capacity in most fields, and because certain nondefense lines are finding it necessary to curtail operations. New orders continue to be received by most lines at a rate in excess of increased capacity, with an expanded volume of orders for metal goods carrying preference ratings offsetting a falling-off in the number of nondefense orders which are being accepted by manufacturing concerns. Despite the fact that some shifting is occurring and that total operations and deliveries increased to new high levels, unfilled orders, according to reports in various fields, advanced to record peaks in May.

Activity in many fields is governed by ability or inability to obtain materials. How much the situation is aggravated by the adoption of what would be considered very unsound purchasing policies under more normal conditions on the part of some is unknown. There are cases reported where concerns, in an effort to acquire more materials, place orders with two or three suppliers, and state that failure to obtain merchandise would result in shut-downs. Continuation of operations after an order is refused indicates either effective substitution or larger than reported stocks of the materials that were being sought. With all developments pointing to a rapid shifting from nondefense to defense activity, there has been considerable ordering of items, the supply of which is likely to be sharply reduced. Increased employment and payrolls and expanding use of installment credit have contributed to this trend. Producers of such goods have followed a quite natural course of manufacturing all they can against the time when their production may be curtailed.

Many new automobiles that otherwise would not have been bought have been purchased this year because of the general feeling that prices and taxes would be higher, or that cars would not be available at some future time. Potential car mileage in used cars, stocks of which are at record levels, as well as in new cars, is thus being accumulated. Similar situations are evident in other lines such as tires and household equipment. Outstanding orders of department stores in this area were 137 percent larger on May 31 than a year previous, despite the fact that stocks are greater than at any other time in more than two years.

Manufacturers in the Pittsburgh area reported unfilled orders more than three times as large as those of a year ago, even though concerns had nearly doubled the rate of deliveries in the same period. Raw material inventories of these companies at the end of May were 50 percent larger than those of a year earlier.

Employment rose to new high levels in this area again in May, with the largest gains in the metalworking industries. Labor shortages are mentioned generally and in sixteen separate employment classifications not a single applicant was available at State employment offices. Increased industrial employment is working a distinct hardship in farm communities adjacent to large cities. The gain in payrolls in May over the previous month was more than twice as large as the increase in the number employed in this area, reflecting general wage increases at many plants.

FINANCIAL

Member Bank Credit Loans made by weekly reporting member banks in leading cities of this district continued to increase in the four weeks ended June 18, thus maintaining the upward trend that has been evident in every week but one since November last year. The gain in the period under review was slightly larger than in the previous four-week interval, and since the beginning of the year commercial, industrial, and agricultural loans have risen \$77,000,000, or 23 percent. There has been a somewhat sharper increase in loans of this type in the fourth district than in the country as a whole. In part this reflects the extent to which defense activity has affected all phases of economic life. Concerns having used cash balances to accumulate larger inventories, pay for goods in process of production, and other operating costs, are again finding it necessary to resort to banks for working capital loans. Compared with a year ago, commercial loans in this area are up 46 percent, which compares with an increase of 32 percent in the entire country.

Other kinds of loans were down slightly between mid-May and June 18, but were still well above the level at the beginning of the year. Investments in direct Government and guaranteed securities, however, rose quite sharply to new high levels in early June. The increase so far this year—eleven percent—was much smaller than the gain in loans during the same period.

Loans have again resumed their place as creators of deposits. So far this year, total deposits at member banks

in this district have increased more than \$200,000,000, or seven percent, to new high levels with practically all of the increase in demand deposits. Time deposits, except for week-to-week fluctuations, have shown no change so far this year. Interbank and Government deposits, although showing little change recently, are somewhat above the low levels touched in February.

As deposits have risen, reserves that banks are required to maintain against them have increased. While total reserves which member banks have on deposit with this bank were at record high levels in the last half of May, the latest period for which data are available, excess reserves have been reduced from 131 percent of requirements in February to 117 percent in May. The excess of reserve city banks dropped from 141 to 123 percent, while at country banks the contraction was from 99 to 92 percent. Deposits at banks in larger cities have increased relatively more than at country banks. Greater demand for currency was a factor tending to keep excess reserves from expanding.

Interest Rates

Data received from twelve leading banks in Cleveland, Pittsburgh, and Cincinnati regarding rates of interest charged on loans made to commercial and industrial concerns indicate that relatively fewer new loans, both in number and amount, were made at extremely low rates of interest in the first half of June than in either March or December. On a dollar basis more than half the volume of loans in the period under review carried a rate of less than three percent. More than half the number of loans made, however, were at a rate of six percent or higher.

Defense Bonds

Sales of Series E defense savings bonds in the first 25 days of June in this district amounted to \$3,951,000 (issue price). The daily average rate was somewhat greater than in May when a total of \$4,220,000 of Series E bonds were sold. Sales of Series F and G bonds combined in the same period of June amounted to \$9,866,000, compared with \$21,129,000 in the month of May. Since Series F and G bonds may be purchased by corporations, trusts, and large investors (except banks), it was natural for them to use uninvested funds to purchase such bonds in rather large amounts when they were first offered. A continuation of that rate, however, was not to be expected. Combined sales of defense bonds by banks in this district and the reserve bank and branches up to June 25 amounted to more than \$39,000,000.

Reserve Bank Credit

There was practically no change in total credit extended by the Federal Reserve Bank of Cleveland in the four weeks ended June 18. Bills discounted for member banks declined slightly, but advances to industrial concerns increased by about the same amount and holdings of Government securities have remained at \$218,541,000 since mid-March.

Of special significance was the increase in note circulation to above \$600,000,000 for the first time. At \$609,000,000 on June 18, circulation was \$148,000,000 greater than a year ago.

NEW MEMBER BANKS

The New Waterford Savings and Banking Company, New Waterford, Ohio.

The Exchange Bank of Luckey, Luckey, Ohio.

The Genoa Banking Company, Genoa, Ohio.

MANUFACTURING, MINING

Iron and Steel

Commercial consumers generally entered the market for large tonnages of steel early in June, shortly before the Government inventory reporting order became operative. Some of this business was not booked by steel companies, though sales continued to exceed production by a fairly wide margin. Much of the new demand represented defense requirements, direct and indirect. Trade publications estimated that between 40 and 50 percent of all inquiries carried priority documents. Both as a result of action by steel companies and Government order, deliveries on steel for what were considered to be less essential needs were delayed further.

A limited blanket priority rating was extended freight car builders early in June. On the first of the month, Class 1 railroads had 65,047 cars ordered from equipment manufacturers, several of which are located in this district, more than at any other time in 17 years. This total compares with 56,502 cars on order May 1 and 15,039 cars a year ago. Shipbuilders on June 1 held contracts for 890 vessels, or four times as many as on the same date last year. In order to facilitate construction, the Office of Production Management early in the month allocated orders for 469,420 tons of plates needed for this work among 14 steel producers, five of which operate in this district.

With operations averaging 99.3 percent of theoretical capacity, steelmakers during May produced 7,101,759 net tons of ingots, compared with 6,757,728 tons in April and 4,967,782 tons a year ago. Last month's output has been exceeded only once—in March when the industry operated at 99.7 percent of capacity and made 7,131,641 tons of raw steel. The last week of June, the *American Iron and Steel Institute* estimated production at virtual capacity.

As coke supplies were replenished during May, fifteen blast furnaces were returned to production; ten were in this district. On June 1, there were 206 stacks operating throughout the country, more than at any other time since mid-1929. At least eleven other furnaces were blown in during June.

May pig iron production was the third best for any month in history, being exceeded only in January and March of this year. Last month's output of 4,596,113 net tons was six percent larger than April's and 31 percent above that of a year ago.

The entire American Great Lakes ore fleet of 292 vessels was active in the trade on June 15, as it had been a month earlier. Exceeding the previous record established in August 1937 by 269,798 gross tons, May shipments from Upper Lake ports, totaling 11,081,179 tons, were the largest ever reported for a single month. A year ago 7,274,024 tons were shipped down the Lakes. Blast furnaces depending primarily upon Lake Superior iron ore last month consumed 6,232,213 tons, compared with 5,802,088 tons in April and 4,566,200 tons a year ago. Approximately 5,000,000 tons of ore were added to stocks at furnaces and on Lake Erie docks during May. June 1 inventories of 21,816,898 tons were eleven percent larger than those of a year before.

Legislation permitting Canadian bulk carriers to transport iron ore between American ports was approved early in June. None had entered the trade by the last week in the month.

Coal and Coke

Mine operators and distributors in this district experienced a strong demand for bituminous coal in May following resumption of mining activity. Domestic grades as well as industrial sizes were moving in quantity as dealers and consumers replenished stock piles that had been reduced during the time that mines were closed. Union-operator differences had not been resolved by late June.

Fourth district mines produced 17,296,000 net tons of bituminous coal last month, more than in any other May since 1923. Output totaled 620,000 tons in April, when operations were curtailed, and 14,022,000 tons in May 1940. During March 18,144,000 tons were mined. Weekly production early in June, neither in this district nor throughout the country, was at the high rate prevailing before the strike. Occasional shortages of open-top railroad equipment in certain localities reportedly have hampered movement of coal from mines.

With slightly fewer cars of coal arriving at Lower Lake ports this May than last, vessel loadings of 4,869,547 net tons were 37 percent smaller than the record shipments of a year ago. Loadings during the first half of June were at a rate of approximately 6,800,000 tons per month, a near-record for the period.

Production at Western Pennsylvania beehive coke ovens expanded rapidly last month to successive peak levels. Output in the second week of June was the largest in at least a decade—134,600 net tons. Although beehive ovens in recent months have accounted for only ten to twelve percent of total coke production, the present high rate is indicative of the need for coke in industrial fields. In mid-June more than 8,000 beehive ovens in the Uniontown-Connellsville, Pennsylvania, region were active compared with 7,775 early in April. Not since 1929 had more been in operation. Several batteries of ovens that had been abandoned over a decade ago were being repaired and rebuilt in June.

Automobiles

Material shortages, notably of certain wire and flat-rolled steel products, were experienced last month by several fourth district automotive parts and accessories manufacturers. In a few instances, production schedules had to be revised as a result of scarcities, but activity generally was maintained at the high levels of other recent months. Sales of die castings divisions were restricted by the priority action on zinc and aluminum; substitutions became increasingly common. Releases received against contracts early in June often exceeded the rate of production, in some cases by

as much as 50 percent. Deferred shipments consequently were greater than for some time past. Unfilled order backlogs of suppliers also were very much larger than those of a year ago, being several times greater in at least one instance.

A number of companies increased working forces slightly last month. The Ohio index of employment in the auto parts industry rose one point in May to 79 percent of the 1926 average, the highest level in four years. Operations mostly were on a three-shift basis, though not all production lines were scheduled at night. Implications of a possible greater reduction than 20 percent in 1942 model output varied. Some concerns have tooled up for large defense orders that have been requiring an increasing number of workers. Many of these have been shifted from ordinary commercial lines.

Despite difficulties in securing parts and accessories, automobile manufacturers in the first three weeks of June were able to maintain weekly output of United States and Canadian factories at the second highest level since the spring of 1929. The 134,682 cars assembled in the week ended June 13 had been exceeded only in three consecutive weeks of May 1937. Domestic production of 518,736 vehicles in May, 56,479 more than were made in April, when labor disputes closed some factories, was the second best for any month since mid-1929. The most recent monthly record—536,150 units—was established in April 1937.

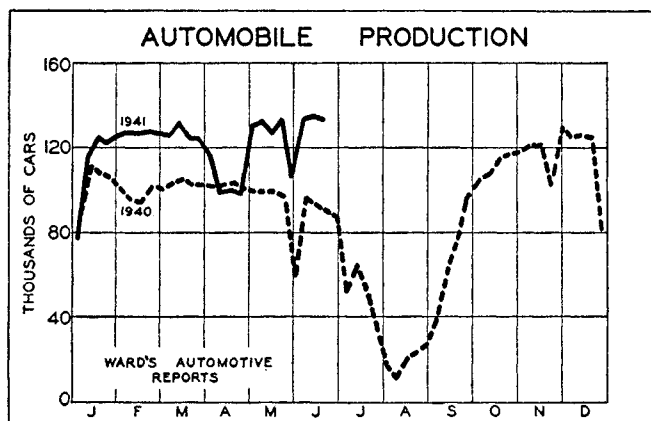
Retail sales of new cars and trucks last month were at a twelve-year peak. According to the *Automobile Manufacturers' Association*, 609,481 vehicles were delivered during May, 58 percent more than in the same month last year. Factory shipments have not equaled dealers' sales in recent months, with the result that deliveries to consumers are much delayed. Floor stocks have been reduced to unusually low levels, even for this time in a model year. Inventories in dealers' hands on June 1 were estimated to represent less than two weeks' sales at the May rate. Stocks of used cars, in contrast, were reported to be the largest in history. Title transfers recorded in principal fourth district cities last month indicated that sales of used vehicles were at near-record levels.

Rubber and Tires

Manufacturers shipped 7,732,828 tires during May. This monthly total was exceeded only in July 1928 and June 1932, and compares with 6,049,517 in April. Shipments to distributors and dealers for replacement purposes rose 36 percent, or sharply more than seasonally, between April and May to 4,885,166 casings; they were one-third larger than those of May 1940. Retail tire dealers last month conducted special sales. Original equipment shipments in May were at a four-year peak of 2,700,419 casings, 16 percent above those of the previous month and up 35 percent from those of a year ago.

Tire makers produced 6,072,823 casings last month compared with 5,812,645 in April and 5,413,141 last year. With shipments exceeding output, manufacturers' inventories during May were reduced approximately 1,600,000 units to 8,373,324 tires. Not since September 1939 had stocks been so small.

Totaling 106,159 tons, May crude rubber imports were the largest ever reported for a single month by a rather substantial margin. Last month's receipts were twice those of a year ago and 68 percent greater than those of April.



Consumption in May declined only fractionally from the all-time record high of the previous month; manufacturers used 71,187 tons. A year ago 54,513 tons were consumed. With imports exceeding consumption by approximately 30,000 tons, stocks were increased to 364,107 tons, according to the *Rubber Manufacturers' Association*. This is the largest amount of crude rubber that has been stored in the United States since mid-1937.

Effective June 23, the Rubber Reserve Company became the sole buyer of crude rubber imported into this country. Concurrently, rubber processors were ordered to reduce consumption from existing high levels to an average of 600,000 tons per year, an annual rate that has been exceeded only this year and last. Cuts were to be progressive over the last six months of the year, and monthly quotas were assigned each consumer.

Textiles and Clothing Fourth district textile and needlework factories early in June were working against what, in the majority of instances, were the largest backlogs of unfilled orders for both men's and women's wear that have been held at this season in recent years. Clothing salesmen this year went on the road somewhat earlier than customarily has been the case. Department stores and apparel shops placed large initial orders. There were indications that merchandise managers were anticipating a greater proportion of their fall and winter requirements than in the past. In some instances, orders were one-fourth to one-third larger this year than last. This forward buying by retailers apparently was induced by prospects for increased retail sales as a result of expanding consumer purchasing power, concern over ability to get goods made of particular fabrics in desired quantities, some fear of higher prices later in the year, and the poor deliveries that were made generally by the clothing industry during the spring and summer season.

Sales of men's and boys' wear at reporting department stores of the district this May were from 20-40 percent larger than those of a year ago. For the first quarter of the fiscal year—February to April—gains averaged 17 percent. Improvement has been greatest in the larger industrial centers where employment and payrolls have risen most. Women's and misses' woolen coats and suits also have moved in greater volume.

The textile industry's unfilled orders for piece goods used by men's clothing manufacturers early in June were estimated by the *Wool Associates of the New York Cotton Exchange* at 75,000,000 yards, or three times those of a year ago. This record total reportedly represented virtual capacity operations for four to six months. A number of mills have been unable to accept new business on account of the delivery schedules requested. Others have curtailed output of worsteds, which are slow-weaving cloths.

Prices on current season merchandise for the most part have remained practically unchanged recently. Advance quotations on comparable lines for the spring of 1942, however, show slight increases over those prevailing at the beginning of the present season. Higher raw material costs of light-weight fabrics raised retail prices on certain trade-marked summer wear. Prices on many lines of men's clothing that sell under resale price maintenance contracts have not been established definitely for next season.

Men's wear manufacturers started work on fall mer-

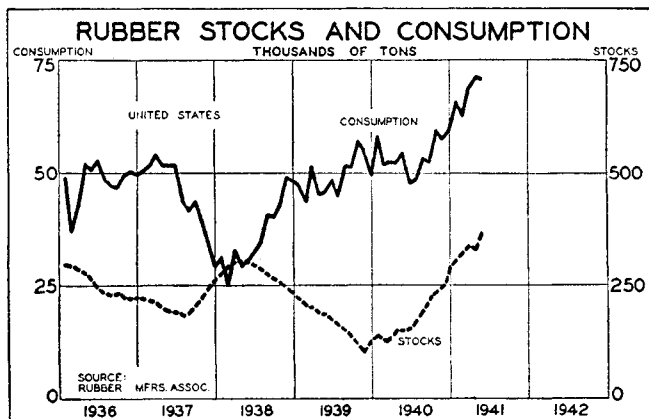
chandise considerably earlier this year than in the recent past. Material inventories early in June consequently were rather large for that time of year, and stocks of finished goods were being accumulated rapidly. Employment was at unusual levels for what ordinarily is the slack season. This also was true in the cotton garment industry. Demand for overalls and cotton work clothes continued heavy during May and the first part of June. Though shipments were increased substantially, the backlog of unfilled orders rose further last month. Material deliveries in mid-June were somewhat delayed, but shortages did not seriously interfere with production schedules.

Other Manufacturing The problem of material supplies has become one of the most pressing that confronts many important fourth district industries. Although some lines have not been affected, numerous shortages have appeared. A few manufacturers who do not have defense contracts or subcontracts have found it necessary to curtail output and reduce employment because of material scarcities. Working forces generally were enlarged last month, though certain types of skilled labor were difficult to find. New business continued in large volume, exceeding production and shipments in many instances.

Metal Industries Shipments of the machine tool industry in May were valued at \$60,800,000, a new all-time peak \$500,000 above the previous monthly record reported by the *National Machine Tool Builders' Association* in April. In May 1940 manufacturers shipped tools having a selling price of \$32,800,000. Inquiries have continued in volume recently, but most companies are booked several months ahead, many for more than a year. Largest unfilled orders apparently are held by concerns that manufacture well-known trade-marked equipment. Deliveries on certain types of heavy castings have been delayed, and shortages of patterns, bearings, and special steels have been reported.

With demand for small tools increasing, production of some fourth district manufacturers has been expanded three-fold during the past year. Supplies of principal raw materials were reported in mid-June to be adequate for this high rate of activity, though deliveries on alloy steel bars were difficult to obtain.

Cast iron has been substituted for some materials that now are used for defense purposes, and castings are taking the place of forgings in certain instances. Incoming business at foundries consequently has increased considerably. Due to greater demand, foundry grades of pig iron,



particularly ferro-alloys, have become scarce. Shipments of castings and drop forgings were about twice as large this May as last.

Electrical equipment manufacturers in this district experienced increasing difficulty in securing certain raw materials in May, though production was not interfered with materially except by a labor stoppage at plants of one company. Sales were approximately twice those of a year ago, and unfilled orders were up even more. Demand for household appliances was somewhat smaller than in April, which was an all-time record month in a number of lines.

Glass, Dinnerware Output of plate glass was expanded last month, while activity in the window glass industry was curtailed. May production of 18,394,000 square feet of polished glass, 50,000 square feet more than was made during April, was the third best for any similar month in history, being exceeded only in 1936 and 1937. Window glass manufacturers reduced operations from 86.3 percent of rated capacity in April to 78.9 percent last month, producing 1,282,000 boxes of glass. This compares with output of 1,400,000 boxes in April and 1,068,000 boxes a year ago.

Priority action was extended to borax and boric acid in June. Settlement of the protracted West Coast borax strike had not been reached by mid-month. Heat-resisting glass-makers in Western Pennsylvania curtailed operations further and reduced working forces in the face of an increasing volume of orders. Sales of pressed and blown glass-work have been unusually large in recent months, particularly of hand-made goods.

Incoming orders of dinnerware manufacturers in May were up materially from those of the previous month and a year ago, chiefly because dealers were seeking to protect themselves against the slow deliveries that were made by this branch of the ceramics industry last fall. New bookings most generally specified September or October shipment. Plants in Eastern Ohio were working at about 85 percent of capacity in mid-June.

Paper, Paperboard Despite the fact that the paper industry continued to operate at virtual capacity during May and the first part of June, shipping as goods were produced, unfilled orders on hand increased. Some shortages of raw materials, pulp and rags, were experienced. Carton manufacturers reported difficulty in securing certain colors of ink. Mills in mid-June were running near capacity, but the volume of incoming business exceeded production. Orders for paperboard also were greater than output early in June, being approximately 50 percent above those of a

year ago. Backlogs in mid-month represented about four weeks' production at the current rate. They were the largest held in recent years.

Shoes Fourth district manufacturers made more shoes in May than during any similar month on record. Output decreased considerably less than seasonally from the high April level. Work was started on fall and winter merchandise the first of May, much earlier than usual. Initial orders from retailers for these lines were ten to twenty percent larger than those received a year ago. In mid-June factories were operating forty hours per week, with increased working forces, on backlogs that would maintain current production schedules until early fall.

Office Furniture and Equipment Reflecting the expansion in industrial volume, sales of fourth district office furniture and equipment makers in recent months have been running from ten to thirty percent above those of similar periods last year. Production of some items, notably printed forms and certain metal devices, has not been stepped up correspondingly because of material shortages. Unfilled orders consequently have increased.

Paint Paint sales through both trade and industrial channels rose to the highest level in recent years in April, the latest month for which *Department of Commerce* data are available. Mid-June reports from fourth district manufacturers indicated that, despite shortages of many essential ingredients, this trend was maintained in May and early June. Billed sales were up as much as 15 percent from April to May, while incoming orders increased somewhat more.

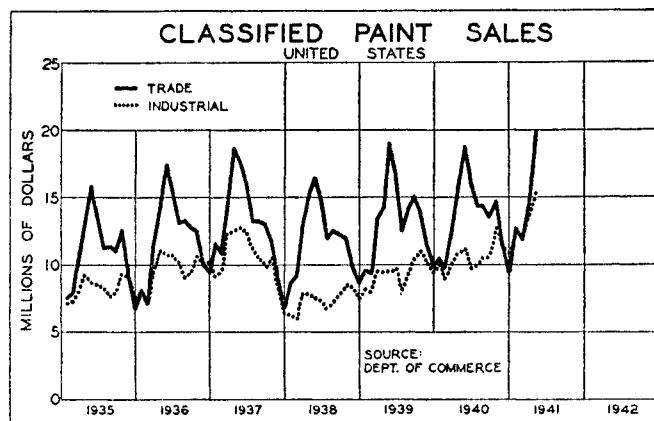
TRADE

Retail While smaller percentage gains over a year ago were shown in retail department store sales in this district in the first three weeks of June than in May, last year at that time improvement in trade circles was just beginning to develop. Large gains in earlier months of this year resulted in part from the fact that current sales were being compared with periods when trade was not so good as it was in later months of the year.

In the four weeks ended June 21, sales at 58 department stores in this territory were 13 percent ahead of the comparable period of 1940. In the entire month of May the gain reported by 95 stores was 21 percent, which was slightly greater than the increase reported for the first five months. Gains in various cities ranged from 15 to 42 percent, with areas where defense activity represented an important factor showing the largest increases. Department store sales in this district in the past three months, however, have failed to increase from the preceding month by the estimated seasonal amounts of previous years. As a result, the adjusted index of department store sales, at 101 percent of the 1923-25 average, was at the lowest level since January.

Demand for merchandise, however, was at relatively high levels, especially in many of those lines which might be classified as luxury items, or those which were felt might be affected by shortages of materials.

An indication of improved prevailing conditions is found in the fact that relatively less merchandise is being sold in basement departments of department stores than in the upstairs departments. Total basement sales of stores reporting such operations in this area were 15 percent larger



than a year ago in May, compared with a gain of 21 percent in total store sales.

Department stores continue to expand their stocks by more than seasonal amounts, and the adjusted index of inventories as of May 31 was the highest since November 1938. The gain over last year was eleven percent. Outstanding orders for merchandise were 137 percent larger than a year ago at this time. As in other fields, retailers are endeavoring to build up large inventories in anticipation of improved business, inability to obtain merchandise, and possibly higher prices.

Furniture and wearing apparel stores in this district reported increases of 43 and 18 percent, respectively, in May sales. The gain in sales of furniture stores, many of which operate extensively on a credit basis, was considerably larger than the 26 percent increase in sales of house furnishings at reporting department stores in this area.

Wholesale The 218 fourth district firms reporting to the *Bureau of the Census* sold 32 percent more merchandise this May than last. Sales increased 13 percent from April to May, a somewhat greater improvement than had been noted in other recent years. Last month, as in immediately preceding periods, widest gains over a year ago were registered by machinery and equipment dealers, metal suppliers, and hardware distributors. Sales of electrical goods were up sharply, as were those of paints and varnishes. Consumers' goods such as jewelry, furniture, and house furnishings also moved in much larger volume this May than a year ago.

Although combined wholesale inventories were reduced slightly last month, June 1 stocks were 18 percent greater than those held on the same 1940 date. Experience in different lines varied somewhat.

Collections improved during May; the 55 percent increase over those of last year was considerably greater than the advance in sales. Between April and May, collections were up six percent. Accounts receivable on May 31 were 23 percent larger than those of a year before. The rise from the previous month was five percent. May collections represented 82 percent of accounts outstanding at the first of the month, a somewhat greater proportion than in either the previous month or a year ago.

CONSTRUCTION

More construction and engineering contracts were let in the fourth district during May than at any other time since September 1929. Awards last month, representing twelve percent of the national total as reported by the *F. W. Dodge Corporation*, were valued at \$63,447,000, compared with \$37,371,000 in April and \$34,089,000 a year ago. Improvement over previous periods was more marked locally than nationally. Contracts awarded in 37 Eastern States increased 35 percent from April to May when they were 67 percent larger than those of the same month last year; in this district gains were 70 percent and 86 percent, respectively.

Included in last month's fourth district total were low-rental and defense housing contracts of \$6,214,000, and an unusual amount of Government-financed utilities and public works construction. Approximately one-third of all United States Housing Authority contracts signed during May was for projects in this district.

Although private ownership awards in fourth district areas in May were the largest for any month in recent

years, publicly-financed construction represented a greater percentage of the aggregate. Compared with an average of 31 percent during the first four months of the year, such awards accounted for 43 percent of the May total. More than 90 percent of all non-residential construction was privately-financed.

Manufacturing capacity of this district continues to be expanded. Approximately half of all non-residential contracts, other than those for utilities and engineering work, was for factory and commercial buildings. Dollar value of awards was the third greatest for any month since March 1930, being exceeded only in July 1937 and November 1940.

During May \$25,216,000 worth of residential contracts were awarded, the most for any month in thirteen years. Aside from the extensive Federal housing program inaugurated, there was considerable expansion of activity in the residential field. Forty percent more one- and two-family houses were contracted for this May than last.

Reflecting the high rate of activity in the construction industry, shipments from fourth district lumber and building materials yards last month were substantially larger than those of either April or a year ago. In some instances, they were the heaviest since 1929. Inventories have been expanded about proportionately to the increase in business, though certain materials are becoming scarce. This is particularly true in the case of imported furniture woods due to the tight shipping situation from Latin American countries. As a result of sporadic shortages of freight cars in certain areas, a number of lumber and material manufacturers have insisted on full carload orders.

AGRICULTURE

Crop Conditions Soaking rains in late May and early June throughout States, parts of which make up the fourth district, improved crop conditions materially. Changes were rapid, and the June 1 general *Crop Report* in many respects was largely outdated by mid-month, when the Department of Agriculture issued its first supplemental report on wheat condition in the ten principal producing States. Prospects prior to the survey date were declining as a result of the continued drought. While the spring season, on the whole, was quite favorable for farm field work, it was unusually dry. Rainfall deficiencies of as much as seven and eight inches during the first five months of the year were reported in a number of localities. There was comparatively little runoff from the June rains; as a result, creeks and ponds remained low, and stock water was scarce in some parts of the district.

Grains In sharp contrast to developments elsewhere, prospects for winter wheat in fourth district States declined during May. Whereas the *Crop Reporting Board* on June 1 raised its estimate of total United States production seven percent, it adjudged prospective harvest in Ohio, Pennsylvania, Kentucky, and West Virginia four percent smaller. Indications on the latest reporting date pointed to the third largest crop ever grown in this country. The estimated total of 697,692,000 bushels was exceeded only in 1919 and 1931. Rains and wind early in June, however, damaged wheat still standing in Southwestern States; losses were heavy.

On June 1, the indicated crop in the four States of the district was 65,449,000 bushels. This compares with production of 68,332,000 bushels in 1940 and an average of 67,621,000 bushels during the ten years, 1930-39. By mid-

June, Ohio prospects had improved, and the crop was estimated to be three percent larger than average. This year's crop will be the first disposed of under marketing quotas that farmers voted late in May.

Most corn in this district was planted somewhat earlier this spring than in other recent years since fields were dry and could be worked readily. The crop germinated well, and replantings appeared to be at a minimum. By mid-June the crop showed satisfactory growth. Fields generally were clean. An increased percentage of the acreage planted was sown to hybrid corn.

Tobacco Transplanting of tobacco in Kentucky had been retarded by the dry weather during May. After the June rains, setting went forward rapidly, and most of the crop had been planted by mid-month. Plants were scarce in certain sections, but shortages apparently were met by withdrawals from other localities where surplus plants were available. Little injury from cutworms was reported, though mold attacked the crop in Southwestern Ohio.

Fruits Peaches suffered little damage, if any, from winter injury and spring freezes. Conditions on June 1 indicated a fourth district crop well above average, and considerably larger than the light yield of last season. Cherries in Ohio

were injured some by frost this spring. The crop consequently was substantially smaller than that of last year. Prospects for apples were rather irregular over the district, but were slightly better than average. A fair crop of grapes was expected in the Erie belt. Truck crops were slow.

Fourth District Business Statistics

	May 1941	% change from 1940	Jan.-May 1941	% change from 1940
Fourth District Unless Otherwise Specified				
Bank Debits—24 cities	\$3,118,000	+27	14,648,000	+25
Savings Deposits—end of month:				
40 banks O. and W. Pa.	791,811	+1	a	
Life Insurance Sales:				
Ohio and Pa.	\$ 87,162	+7	420,610	+6
Retail Sales:				
Dept. Stores—95 firms	\$ 34,318	+21	141,013	+18
Wearing Apparel—15 firms	\$ 1,215	+18	5,447	+12
Furniture—39 firms	\$ 1,815	+43	6,037	+32
Building Contracts—Total	\$ 63,447	+86	193,336	+41
—Residential	\$ 25,216	+56	81,184	+28
Commercial Failures—Liabilities	\$ 528	-53	4,913	+2
—Number	65	-18	327	+2
Production:				
Pig Iron—U. S. net tons	4,596	+31	22,513	+31
Steel Ingot—U. S. net tons	7,102	+43	34,158	+44
Auto—Passenger Car—U. S.	489,841b	+8	2,057,112b	+17
—Trucks—U. S.	101,038b	+54	466,639b	+36
Bituminous Coal, O., W. Pa., E. Ky.	17,296	+23	68,612	-3
Cement—O., W. Pa., W. Va. bbls.	1,409	+25	4,887	+22
Elec. Power, O., Pa., Ky.	2,064c	+14	8,629d	+16
—thous. k.w.h.	2,070c	-10	8,044d	-8
Petroleum—O., Pa., Ky. bbls.	e	+40	e	+16
Shoes, U. S. casings	6,073	+12	28,219	+11
Bituminous Coal shipments:				
L. E. Ports net tons	4,870	-37	7,386	-36

Wholesale and Retail Prices

(1941 compared with 1940)

	Percentage Increase or Decrease		
	SALES	SALES	STOCKS
	May 1941	first 5 months	May 1941
DEPARTMENT STORES (95)			
Akron	+29	+26	+13
Canton	+42	+36	a
Cincinnati	+20	+15	+14
Cleveland	+19	+20	+12
Columbus	+19	+14	+8
Erie	+24	+20	+11
Pittsburgh	+15	+14	+9
Springfield	+26	+26	a
Toledo	+21	+15	+10
Wheeling	+19	+18	+8
Youngstown	+31	+24	a
Other Cities	+38	+29	+10
District	+21	+18	+11
WEARING APPAREL (15)			
Cincinnati	+24	+12	-7
Cleveland	+15	+11	+4
Pittsburgh	+2	+7	+9
Other Cities	+24	+16	+9
District	+18	+12	+2
FURNITURE (39)			
Canton	+31	+33	
Cincinnati	+41	+35	
Cleveland	+45	+29	
Columbus	+28	+17	
Toledo	+58	+53	
Other Cities	+31	+40	
District	+43	+32	
CHAIN STORES*			
Drugs—District (5)	+23	+13	
Groceries—District (4)	+26	+18	
WHOLESALE TRADE**			
Automotive Supplies (11)	+17	+16	-1
Beer (6)	+24	+20	+21
Clothing and Furnishings (5)	+9	+26	a
Confectionery (4)	+16	+12	a
Drugs and Drug Sundries (7)	+1	+3	+6
Dry Goods (7)	+25	+19	+9
Electrical Goods (13)	+67	+63	+47
Fresh Fruits and Vegetables (6)	-1	+2	+8
Furniture & House Furnishings (4)	+52	+50	+36
Grocery Group (47)	+9	+11	+15
General Hardware (13)	+42	+31	+30
Industrial Supplies (13)	+98	+87	+21
Plumbing & Heating Supplies (12)	+40	+49	+51
Jewelry & Optical Goods (7)	+44	a	a
Lumber and Building Materials (4)	+6	a	a
Machinery, Equip. & Sup. (exc. Elect.) (5)	+131	+108	+3
Meats and Meat Products (5)	+15	+12	+17
Metals (5)	+83	a	+29
Paints and Varnishes (6)	+24	+18	+3
Paper and its Products (8)	+23	+18	+3
Tobacco and its Products (15)	+11	+9	+1
Miscellaneous (15)	+54	+35	-1
District—All Wholesale Trade (218)	+32	+27	+18

* Per individual unit operated.
 ** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.
 a Not available.
 Figures in parentheses indicate number of firms reporting sales.

Debts to Individual Accounts

	(Thousands of Dollars)				% change from 1940
	5 Weeks ended June 18, 1941	% change from 1940	Year to Date Dec. 26, 1940	Year to Date Dec. 28, 1939	
Akron	116,064	+31.8	521,629	406,121	+28.4
Butler	15,050	+29.6	68,898	55,953	+23.1
Canton	64,942	+37.4	295,897	220,700	+34.1
Cincinnati	515,959	+27.8	2,385,251	1,933,571	+23.4
Cleveland	1,011,610	+34.0	4,491,617	3,482,118	+29.0
Columbus	254,017	+15.8	1,204,770	1,063,721	+13.3
Dayton	116,183	+39.1	533,941	414,087	+28.9
Erie	47,797	+38.1	212,879	167,171	+27.3
Franklin	4,814	+9.1	22,194	18,742	+18.4
Greensburg	10,457	+15.5	49,990	44,341	+12.7
Hamilton	12,419	+31.6	83,446	66,276	+25.9
Homestead	5,475	+19.7	23,441	20,262	+15.7
Lexington	23,362	+7.7	148,885	147,110	+1.2
Lima	20,292	+23.9	99,535	83,815	+18.8
Lorain	7,963	+15.9	36,261	30,876	+17.4
Middletown	18,177	+31.1	85,403	68,392	+24.9
Oil City	13,881	+7.4	61,352	62,143	-1.3
Pittsburgh	1,030,575	+22.2	5,280,882	4,028,755	+31.1
Sharon	13,587	+34.8	62,938	48,462	+29.9
Springfield	25,893	+29.2	123,538	99,852	+23.7
Steubenville	14,111	+14.5	64,240	57,600	+11.5
Toledo	206,944	+38.5	917,157	733,177	+25.0
Warren	19,297	+50.1	88,717	60,472	+46.7
Wheeling	41,282	+23.9	193,535	156,508	+23.7
Youngstown	79,161	+35.6	361,018	289,131	+24.9
Zanesville	12,520	+14.7	57,747	50,271	+14.9
Total	3,695,245	+27.5	17,475,161	13,810,167	+26.5

Fourth District Business Indexes

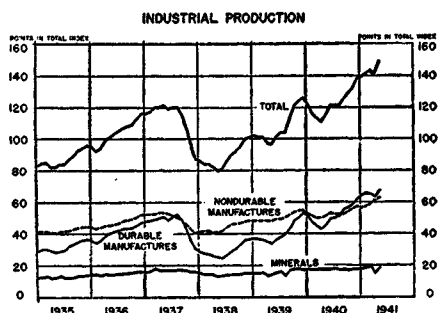
(1923-25 = 100)

	May 1941	May 1940	May 1939	May 1938	May 1937
Bank debits (24 cities)	115	90	77	72	93
Commercial Failures (Number)	45	54	52	54	36
(Liabilities)	12	25	14	38	20
Sales—Life Insurance (O. and Pa.)	91	84	78	69	95
—Department Stores (48 firms)	111	94	89	79	105
—Wholesale Drugs (7 firms)	92	91	92	87	95
—Dry Goods (7 firms)	64	52	45	38	53
—Groceries (47 firms)	77	71	66	64	75
—Hardware (38 firms)	130	82	73	69	97
—All (99 firms)	91	71	66	62	77
—Chain Drugs (4 firms)*	115	94	a	90	101
Building Contracts (Total)	133	72	65	44	55
(Residential)	147	94	68	48	55
Production—Coal (O., W. Pa., E. Ky.)	96	78	33	45	73
—Cement (O., W. Pa., E. Ky.)	117	94	79	72	92
—Elec. Power (O., Pa., Ky.)**	246	215	182	169	196
—Petroleum (O., Pa., Ky.)**	112	125	113	119	126
—Shoes	115	82	96	80	113

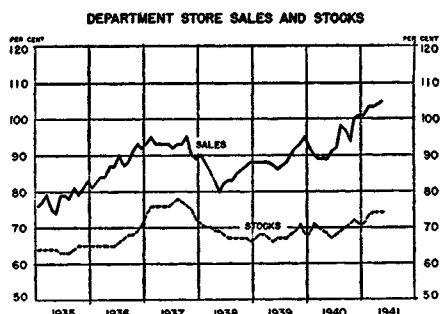
* Per individual unit operated.
 ** April.
 a Not available.

Summary of National Business Conditions

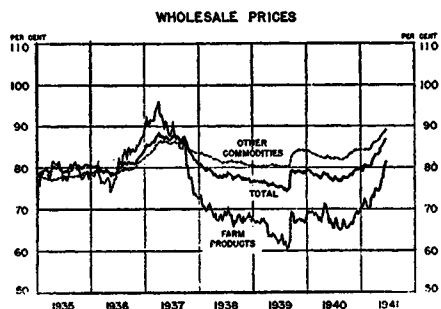
By the Board of Governors of the Federal Reserve System



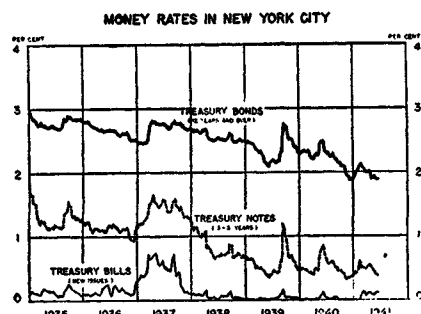
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to May 1941.



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to May 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending June 14, 1941.



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to June 14, 1941.

After a slight decline in April industrial activity increased sharply in May and the first half of June. Wholesale commodity prices showed a further considerable advance and retail prices also increased. Distribution of commodities to consumers was maintained in large volume

Production

Volume of industrial output increased sharply in May, following a decline in April, and the Board's seasonally adjusted index rose to 149 per cent of the 1935-1939 average, as compared with 140 in April and 143 in March. The decline in April had reflected mainly reduced output of bituminous coal and automobiles occasioned by shutdowns accompanying industrial disputes. These were settled during the month and in May and the first half of June output in these industries rose to the high levels prevailing earlier.

In a number of other lines activity increased steadily throughout the spring months, particularly in the machinery, aircraft, and ship-building industries. Steel production was maintained at 99 per cent of capacity, except for a short period during late April and early May when output was reduced somewhat owing to a shortage of coal. Output of nonferrous metals also continued near capacity; deliveries of foreign copper in May increased to 49,000 tons, amounting to about one-third of total deliveries to domestic consumers. Toward the end of the month, as it became apparent that combined military and civilian need for these metals would soon greatly exceed available supplies, a General Preference Order covering all iron and steel products was issued by the Priorities Division of the Office of Production Management and in June mandatory priority controls were established for copper and zinc.

Textile production rose further in May, reflecting increased activity at cotton, wool, and rayon mills. A continued rise in output of manufactured food products was likewise reported and activity in the chemical and shoe industries was maintained at earlier high levels, although usually there is considerable decline at this season. Petroleum production increased, and output of anthracite also advanced following some curtailment in April. Iron ore shipments amounted to 11,000,000 tons in May, a new record level and near the shipping capacity of the present Lake fleet.

Value of construction contract awards rose sharply in May, reflecting increases in both public and private construction, according to *F. W. Dodge* reports. Awards for private residential and nonresidential building increased more than seasonally, and contracts for defense projects continued in large volume.

Distribution

Distribution of commodities to consumers was sustained at a high level in May. Department store sales showed a further rise, while sales at variety stores declined by slightly more than the usual seasonal amount. Retail sales of new automobiles continued at the high April level and sales of used cars rose further.

Freight-car loadings increased sharply in May, reflecting a marked rise in coal shipments and a further expansion in loadings of miscellaneous freight. In the first half of June total loadings were maintained at the advanced level of other recent weeks.

Commodity Prices

Wholesale prices of a number of agricultural and industrial commodities showed further increases from the middle of May to the middle of June and the general index of the Bureau of Labor Statistics advanced two points to 87 per cent of the 1926 average. Federal action to limit price increases was extended to some consumer goods, principally new automobiles, hides, and certain cotton yarns. In retail markets prices of most groups of commodities have advanced, reflecting in part increases in wholesale prices earlier this year.

Bank Credit

Commercial loans at reporting banks in 101 cities continued to rise during the four weeks ending June 11. Bank holdings of United States Government securities increased further, chiefly through the purchase of bills by New York City banks and of bonds by banks in other leading cities. As a result of the expansion in loans and investments bank deposits continued to increase.

United States Government Security Prices

Following a rise in the latter part of May Treasury bond prices declined slightly in the first half of June. On June 14 the 1960-65 bonds were $\frac{1}{8}$ of a point below the all-time peak in prices of December 10. Yields on both taxable and tax-exempt 3- to 5-year notes declined slightly from the middle of May to the middle of June.