MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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Many important fourth district manufacturers have found it necessary only to rearrange operating schedules moderately as a result of material or labor shortages growing out of the defense program. Because nondefense work was being maintained at extremely high levels and defense activity was expanding during June and early July, tight situations developed in several lines with respect to both labor and materials. Curtailment is expected soon in some industries either under Government order or because of material scarcities, but the extent of such reductions, in most instances, is not known definitely. Automotive parts and accessories suppliers, plate glass manufacturers, tire makers, and, to some lesser degree, steel companies, all prominent industries in this district, are concerned vitally in the amount by which 1942 model automobile production is to be cut initially. Governmental agencies state that the cut will be more than the 20 percent of 1941 output originally arranged with the industry. An order issued by the Office of Price Administration and Civilian Supply calls for a 20 percent reduction in output of passenger cars and light trucks during the first three months of the new model year, to be followed by much larger reductions later. Crude rubber consumption quotas for July were assigned each rubber processor; later these were revised sharply upward, and formulas for determining the exact amount which could be used in each of the final months of the year were still under discussion the last week in July. As a result of such uncertainties, there has been considerable confusion in fourth district industry so far as plans for the second half of the year are concerned.

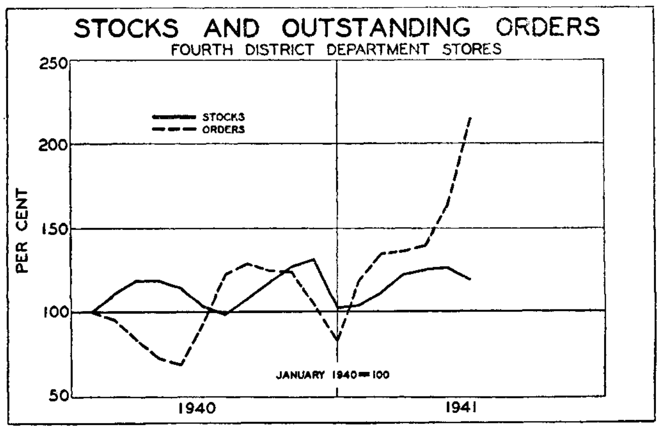
While in some lines, notably machine tools, defense work accounts for the majority of current output, nondefense items were produced in record volume during the first six months of the year. Consumer demand for all types of goods has increased greatly in recent months as industrial employment and factory payrolls in various parts of this district have risen to all-time high levels. Some of the buying, both on the part of consumers and merchants, has been occasioned not only by the feeling that many articles possibly would not be available later in the year, but also that prices generally might rise to a considerable degree.

Data which recently have become available regarding outstanding orders of reporting fourth district department stores indicate this trend. The accompanying chart shows that dollar value of merchandise commitments of these stores declined during the first five months of 1940. Later there was a substantial increase, reflecting in part the ordering of Christmas merchandise. The index fell at the year end, prior to the taking of inventories. Insufficient data are available to ascertain the seasonal movements of these figures, but so far this year there has been a large and steady advance in the amount of goods on order. On July 1 outstanding commitments of cooperating stores were 2 1/3 times as large as those of a year before. Stocks of these same stores have expanded moderately in most recent months, and on the latest reporting date they were 16 percent greater than inventories of July 1, 1940. The increase in stocks this year has been slightly more than seasonal.

FINANCIAL

Member Bank Credit Condition reports received from all member banks in this district as of June 30 reveal that both reserve city and country banks have expanded their loan accounts appreciably during the past year, with the greater share of the increase occurring in the first half of 1941.

In the past year, total credit extended through both loans and investments by member banks in this area increased \$380,000,000, or 13 percent. The expansion in the first six months under consideration was little more than half as great as that since January 1. At reserve city banks in this area, loans increased 22 percent in the past fiscal year while investments in Government securities were up 19 percent and holdings of municipal and other securities were down 15 percent. Total loans outstanding at country banks on June 30 were 11 percent



larger than a year previous. These banks also increased their holdings of Government securities by 19 percent in the twelve-month period, but other securities held were 2½ percent smaller than a year ago, a gain of 6½ percent in municipal securities on hand nearly offsetting reductions in holdings of other bonds and stocks. There were indications that expansion in loans in this area directly attributable to the defense program represented only a small part of the total loan increase shown. A recent special survey of banks whose loans represented two-thirds of all member banks' loans in this area indicated that approximately one-third of the increase in loans since the defense program got under way represented financing of direct or subcontract defense work, including new plants. The remainder covered industrial expansion, accumulation of inventories, or a greater quantity of goods in process of manufacture that had no direct connection with the defense work.

The accompanying table shows loans and investments of all member banks in the fourth district on specified call report dates.

LOANS & INVESTMENTS
Fourth District Member Banks
(000 omitted)

	June 30, 1941	December 31, 1940	June 29, 1940
Loans (including overdrafts)	$1,365,599	$1,237,282	$1,161,875
U. S. obligations, direct and guaranteed	1,365,061	1,213,615	1,148,014
Obligations of states & political subdivisions	192,887	210,075	209,633
Other bonds, notes & debentures	257,041	276,368	287,286
Corporate stocks, including Federal Reserve Bank stock	50,774	51,582	52,299
Total investments	1,863,763	1,751,640	1,697,232
Total loans & investments	3,239,362	2,988,922	2,859,107
Number of banks	667	658	650

At weekly reporting banks in leading cities of this district there was a further gain in commercial loans in the first three weeks of July amounting to $8,000,000. This increases the loan expansion at weekly reporting banks so far this year to $87,000,000, or 27 percent, one of the sharpest upswings ever recorded in such a period of time. Other loans continued to show only nominal changes.

Rather sharp increases in holdings of Government-guaranteed securities in July more than offset reductions in direct obligations, and total investments rose to new high levels. So far this year the rise in security holdings of reporting member banks has been $130,000,000, or approximately twelve percent. Total loans and investments have increased twelve percent since January 1, practically all of the gain being reflected in demand deposits which, at $1,806,000,000, were $243,000,000 larger than at the beginning of the year.

Reserves This increase in deposits has been partly responsible for the reduction in excess reserves of member banks to the lowest level, in relation to actual requirements, in more than two years. Nevertheless, excess reserves of fourth district banks were considerably larger, relatively, than in the entire country, local banks having an excess of 110 percent compared with a 67 percent excess in the country as a whole.

Another factor contributing to the reduction in excess reserves is the increased demand for currency. This is reflected in part in note circulation of the Cleveland reserve bank which so far this year has risen more than $100,000,000, or nearly 20 percent.

Defense Bonds Sales of Series E defense bonds through banks and other financial institutions in this district increased rather sharply in July, compared with the two preceding months. For the month to July 26 sales of such bonds (credits to the Treasurer's account) totaled $6,495,000 compared with $4,719,000 for the entire month of June and $4,220,000 in May. The accompanying chart shows cumulative daily sales of Series E bonds in this district since they were first offered. Sales of Series F and G bonds held up well in July, exceeding the daily rate of June. Many of these, purchased by large investors and for trust accounts, possibly to the fullest extent permitted by law when first offered, were taken in somewhat smaller volume in June and July than in May.

NEW MEMBER BANK

The Farmers and Citizens Bank and Savings Company, Bucyrus, Ohio.

MANUFACTURING, MINING

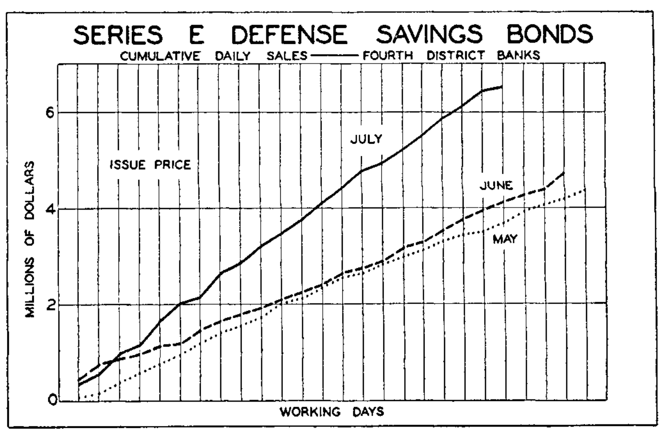
Iron and Steel More pig iron and raw steel was produced during the first half of the year than in any other six months in history. Ingot output of 40,911,886 net tons was approximately 40 per cent greater than that of the corresponding period last year. The previous six-month record—37,576,260 tons—was established in the second half of 1940. Pig iron production totaled 27,061,529 tons, compared with 21,048,791 tons in the same six months a year ago, and 25,845,885 tons in the last half of 1940—the former peak.

Operations in both divisions of the industry continued at a high level in June: 6,800,730 tons of steel ingots and 4,551,040 tons of pig iron were made. On an average daily basis, output was roughly 20 percent larger than that of a year ago in each instance. Changes from the May rates were nominal.

Steelmaking activity was curtailed less over the July Fourth week end this year than in the recent past; the decline was smaller in the fourth district than elsewhere. In some cases, pre-holiday rates had not been resumed by late July because open hearths were being repaired or scrap supplies were tight.

Four blast furnaces in this district were blown in last month. On July 1 only eleven of the 186 stacks which depend principally on Lake Superior iron ore were inactive, the smallest number since 1929.

On an average daily basis, ore consumption set a new all-time record at 207,702 gross tons in June. This total



is fractionally above the previous peak reported in March, and compares with 173,757 tons a year ago.

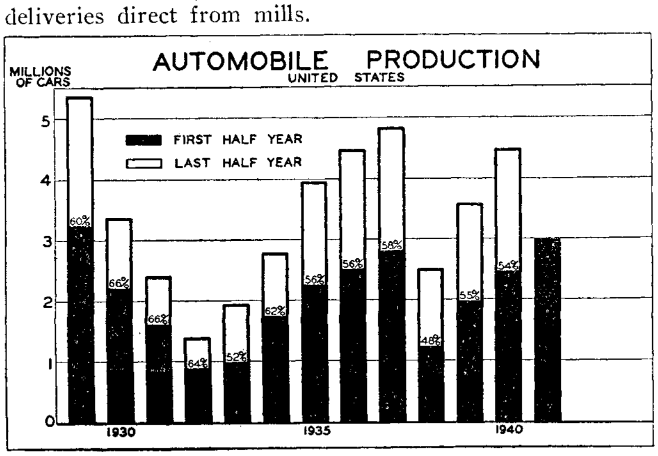
June ore shipments from Upper Lake docks, totaling 10,789,928 tons, were the second largest in history, being exceeded only in the longer month of May. Three Canadian bulk freighters, under provisions of legislation approved last month permitting foreign flag vessels to carry cargoes between American ports, unloaded ore at Cleveland in mid-July. Additional Canadian boats were reported to have augmented further the 292 vessel American fleet later in the month.

Steelmaking grades of scrap, which were used at the record rate of more than 4,500,000 monthly during the first half of the year, recently have not moved into sight as rapidly as melters have used stocks. Supplies of railroad scrap have not been so plentiful as in more ordinary times since less equipment is being junked. Accumulation of old metal in areas remote from scrap consuming centers has been slow in recent months. Trade observers offer two explanations: maximum prices established by the Office of Price Administration and Civilian Supply on principal grades allow only a narrow margin above collection cost; many small collectors lately have found better paying jobs in other industries.

Because of the tight scrap situation, steelmakers have been using greater tonnages of pig iron in their open hearth practice in an effort to conserve diminishing scrap supplies for use in electric furnaces. As a result, pig iron, especially the ferro-alloy grades, has become scarce in the open market.

Both merchant iron producers and steel manufacturers have reduced the amount of nondefense business they will book. An increasingly large proportion of steel inquiries carry some type of priorities document. In fact, so many new orders have preference ratings that a great deal of the significance of such a system is lost, according to trade sources.

The volume of incoming business at steel mills in recent weeks has continued to exceed both production and shipments by a substantial margin. Plates, structural shapes, and bars, heavy items most frequently sought for direct and indirect defense work, have been in greatest demand. Partially as a result of the impending model changeover, less sheet and strip tonnage has been going to the automobile industry. Distributor and jobber requirements largely have been met. Warehouse sales generally were sharply larger in the first six months of this year than last, many consumers turning to these sources as a result of delayed deliveries direct from mills.



Defense Plant Corporation funds in mid-July were made available for the construction of a new $85,000,000 steel mill in Western Pennsylvania that will add 400,000 net tons annually to fourth district ingot capacity by 1943. This is the largest single expansion to take place in the industry since the 1920's. A $6,000,000 by-product coke works is being erected at Monessen, Pennsylvania. Several other large electric furnace, rolling mill, and forge shop construction programs are under way in various parts of this district.

Coal Despite the fact that most mines were closed for four to six weeks this spring while a new wage contract was being negotiated, three percent more bituminous coal was produced in the fourth district during the first six months of this year than last, when there was no suspension. First half output of 86,135,000 net tons was the second best for any similar period in eleven years, being exceeded only in 1937. Wage agreements were promptly renewed in April of that year. Union-operator differences this year were resolved early in July when the wage differential that heretofore has existed between the Southern and Northern Appalachian territories was abolished. Mines in Ohio, Western Pennsylvania, and the West Virginia Panhandle are in the Northern area; those in Eastern Kentucky, in the Southern.

Demand for the better grades of coal recently has been strong, with much of it emanating from retail distributors. Various consumer organizations and Governmental agencies, such as the Office of Emergency Management, have circulated resolutions urging all coal users and dealers to order and store as much fuel as practical between now and the first part of October so that transportation facilities might be relieved for the heavy movement of other goods which is anticipated later in the year.

Industrial consumers and railroads also have been active in the market. Although many bulk freighters have returned to Upper Lake ports under ballast in an effort to speed up shipments of iron ore, increasingly large tonnages of soft coal have been loaded at Lake Erie docks in recent weeks. A total of 6,968,320 net tons were handled during June; this is the second heaviest movement for that month in history, being exceeded only in 1940. As a result of the great and varied demand for soft coal, at least one large fourth district operator in mid-July was prorating output among important industrial users, assuring adequate supplies to those engaged in defense activity.

According to *Bureau of Labor Statistics* data, bituminous coal prices have risen more or less steadily during the past 2½ months, largely as a result of higher wage rates. By mid-July they were approximately 4½ percent above the March pre-strike level.

Automobiles Automobile manufacturers made 2,995,811 vehicles during the first half of the year. As can be seen in the accompanying chart, this six-month total has been exceeded only once before—in the first half of 1929. June production was the second largest for any month in twelve years; 520,521 passenger cars and trucks came off assembly lines in the United States. A year ago 344,636 units were made. By mid-July, manufacturing schedules were being curtailed somewhat preparatory to model changeovers, but weekly output was still twice that of corresponding periods last year. At least two car makers had completed their 1941 model runs earlier in the month. A few others reportedly have experienced material shortages.

Several fourth district parts and accessories suppliers recently have been handicapped by delayed deliveries on steel. As a result, deferred shipments of finished goods have represented an increasingly large proportion of total shipments to automobile factories. July deliveries of some manufacturers were as much as 25 percent greater than those of a year ago. The amount of reduction in shipments from the heavy volume of immediately preceding months varied considerably among companies, depending upon the type of goods supplied. Large quantities of metal body parts were moving to assembly plants, while motor and other mechanical items were not in such active demand.

Production of parts and materials for present models generally was continued well into July, with a number of factories not ceasing this work until the last week of the month. In some instances, 1942 model items were being made before 1941 contracts were completed, thus indicating that the changeover period in the automotive industry might be shorter than usual.

Retail sales of new passenger cars in June, both nationally and in principal fourth district cities, were unusually large for this late in a model year. Registrations in some localities were reported at an all-time peak for the month. June deliveries were smaller than those of April and May, partially because dealers' stocks were limited as to body styles, colors, and accessories. Inventories on showroom floors were reduced further during June, but early in July indications were that they still represented about two weeks' sales at the current rate, or roughly the same proportion as in immediately preceding periods. Used car sales in June were near the best levels of the year, judged by the number of title transfers recorded in various cities of the district.

Rubber and Tires Activity in the rubber and tire industry, as measured by crude rubber consumption, was at an all-time peak in June. Manufacturers during the month used 84,912 gross tons of crude rubber, or 13,500 tons more than in any other single month in history. Since late 1940, successive new consumption records have been established practically every month. During the first half of the year, 425,356 tons of crude rubber were consumed; this is more than was used in 13 of the 21 full years for which data are available.

Such heavy consumption of this strategic material occasioned an order by the Office of Production Management in mid-June that tire and mechanical rubber goods manufacturers during the second half of the year reduce monthly crude rubber consumption to an increasingly smaller percentage of the average amount used during the twelve-month period, April 1940-March 1941. This in effect means curtailing consumption to 300,000 tons in the last half of 1941, an annual rate that has been exceeded only in 1940 and this year. Monthly quotas were assigned each processor. Late in June, the allowable for July was changed to 80 percent of the previous month's consumption, or raised from 56,400 tons to 67,900 tons. The revision was made with the understanding that larger monthly reductions than first had been announced would be required later in the year.

June crude rubber imports fell to 65,093 tons from the all-time record of 106,159 tons in the previous month. A year ago 53,889 tons arrived in this country. With consumption exceeding imports by a wide margin, stocks during June declined seven percent to 339,110 tons, or about 2¼ times as much as was stored here a year ago.

Tire production expanded substantially in June as crude rubber consumption would indicate. Manufacturers made 6,362,626 casings, more than during any other month since 1929 when individual tires were smaller and lighter in weight than now. Original equipment shipments to the automotive industry last month at 2,756,996 units while only slightly larger than those of May were 43 percent greater than those of last year. Deliveries to distributors and dealers—4,761,344 casings—were somewhat smaller than those of either May or a year ago.

Manufacturers' inventories were reduced by 1,300,000 tires during June to 7,079,458 casings at the month end. This is the smallest stock on hand since mid-1933.

Textiles and Clothing Operating schedules of fourth district textile and needlework factories were practically unchanged from mid-June to the forepart of July. Work on fall and winter merchandise was started earlier than customary, and there was virtually no slack season this year. Employment in the industry remained at a contraseasonally high level last month. Working forces were augmented somewhat during July, though a few concerns reported that labor turnover was increasing, due to the selective service and competition from defense industries.

While deliveries on certain grades of yard goods were considerably extended, and other items, particularly worsteds and coverts used by men's wear manufacturers, were very scarce, most clothing factories apparently were getting necessary materials without serious delay. Raw wool supplies were reported to be adequate, chiefly because large quantities of Argentinian fleece have been imported recently.

Because production was maintained at an unusually high rate during May and June, finished goods inventories of clothing makers early last month were exceptionally large. As a result, some manufacturers requested permission from retailers to deliver fall and winter merchandise during June and July. Shipments in recent weeks consequently have been substantially greater than those of a year ago. There were very few reorders of current season lines for immediate delivery.

Conditions in the overall and cotton work garment trade last month were similar to those in the wool clothing industry. Certain materials were scarce and deliveries on some fabrics were slow. New orders continued to be received in volume, despite moderate advances in prices. Shipments were approximately twice those of a year ago.

Other Manufacturing Shortages of labor and materials and delayed deliveries, even on repair parts, were experienced by a number of other important manufacturing industries in the fourth district during June and the first part of July, especially where defense activity was not particularly important. Operating schedules, however, were virtually unchanged from those of immediately preceding periods. Sizable inventories of raw materials evidently had been accumulated earlier in the year, and these stocks perhaps were being used to maintain production at recent high levels. There was some decline in the volume of incoming business at a few plants, but unfilled order backlogs in the majority of cases continued to increase since new orders were larger than output.

Metal Industries Dollar value of machine tool shipments last month reached a new all-time peak at $63,400,000, compared with $60,800,000 in May and $34,000,000 a year ago. According to the *National Machine Tool Builders' Association* the industry's entire production currently is going to national defense and aid to Britain. Production within the past year has practically doubled. Ninety-five percent of all employees are working in companies which are operating two or three shifts. The amount of subcontracting has steadily increased. Several fourth district concerns closed for company-wide vacations in July. In a number of instances, the time was used to make necessary repairs and to install new machinery and power equipment.

Receipt of steel plates, under blanket priorities which were granted last month, enabled three freight car builders to expand activity moderately at fourth district factories early in July. Some plants had virtually suspended operations the month previous because of material shortages. Class I American railroads had 92,566 new freight cars on order on July 1, more than at any other time since 1923.

Some fourth district electrical equipment makers booked slightly less new business during June than in the previous month, but for the six-month period sales were approximately twice those of a year ago. Though deliveries of strategic metals are delayed, shortages thus far have not been serious. More work was in process early in July than in other recent periods; finished goods inventories also were larger. Factory shipments of major household appliances have declined lately while retail sales have been well maintained.

Glass, Dinnerware All divisions of the glass industry in June completed the most active six months in history. Producing 108,553,000 square feet of polished plate glass during the first half, commercial manufacturers made 30 percent more than in the corresponding period a year ago, and two percent more than in the first six months of the all-time record year—1937. Window glass factories which operated at 86 percent of calculated capacity during the first half turned out 8,361,000 boxes of glass, compared with 6,618,000 boxes last year. Shipments of safety glass to the automobile industry dropped sharply early in July just prior to the model changeover, though they were larger than at this season in the recent past. Demand from other sources for both plate and window glass continued heavy.

Glass container production exceeded 5,000,000 gross per month during the first half of the year, a record never before approached. Shipments were even larger.

Resumption of limited operations at West Coast borax mines that had been closed by a strike made some supplies available not only to makers of heat-resisting glassware which had had to curtail schedules, but also to potteries, manufacturers of enamelware, and welding rod producers. The material remained under a type of priority control.

The pottery industry in June and early July was operating at an unusually high rate for this season of year—at approximately 90 percent of capacity, according to reports. Orders taken at the New York Housewares Show were larger than those written last year, despite the fact that buying was heavy earlier in the spring, prior to price increases on some lines. Shipments also were greater than a year ago.

Shoes Output of fourth district shoe factories in June increased slightly less than seasonally from the unusually high May level. Actual production, however, was the second best for any June in history, being exceeded only in 1937. Most companies were working on the largest backlog of unfilled orders ever held at this time of year; several concerns were not soliciting additional fall business. Prices of materials have risen recently, and some items have become difficult to obtain. Stocks of standard leathers in many instances, however, had been built up earlier in the year, and wholesale quotations on new lines have not been advanced greatly. A few manufacturers have lost workers to defense industries.

Paper, Paperboard Incoming orders for fine papers continued to exceed productive capacity early in July, though output was considerably greater this year than last. Specified delivery schedules could not be met by some firms. It was believed that many consumers were placing duplicate orders. Mills in mid-July were being operated at the highest rates in recent years, as were paperboard plants. Order volume for these heavier items declined somewhat late in June; subsequently there was considerable improvement. Material supplies have become increasingly tight. Only one-third as much wood pulp, used for explosives as well as paper, was stored in this country on July 1 as three months before. The placing of chlorine under full priority control late in July was expected to result in some curtailment of bleached paper output. Operations at carton factories in this district recently have been largely governed by the volume of raw materials received from paperboard and ink suppliers. Deliveries often have been delayed.

TRADE

Retail Retail trade during the first six months of this year showed marked improvement over that of the corresponding period a year ago. Sales at 95 reporting department stores in this district rose 17 percent. Wearing apparel shops had a ten percent gain, and furniture stores sold 29 percent more merchandise during the first half of this year than last. Sales of the chain groceries, per individual unit operated, increased ten percent.

June department store sales were 13 percent larger than those of the comparable period of last year, and they were less than seasonally lower than those of the previous month. Dollar volume of wearing apparel stores was up only one percent over that of a year ago. Net sales in the chain drug trade, per unit store operated, during June were eight percent greater than those of the same period last year, and chain grocery store sales, also per individual unit, made a 17 percent gain.

Basement store sales during June, for those firms reporting such operations, advanced five percent over those of a year ago, compared with a 15 percent increase in the previous month, and a 13 percent gain in total store sales for June. Relatively less merchandise was sold in the basement stores, an indication that consumers were buying better grade goods.

For the week ended July 19, sales of 58 reporting department stores were up 21 percent from those of the corresponding period a year ago, and the increase for the four weeks ended on that date was 28 percent.

Some of the current increase in retail sales can be explained in terms of the advance in retail prices. Judged by *Fairchild's* index, retail prices at department stores rose 1½ percent in June, the sharpest monthly advance since N.R.A. days in 1933. Compared with a year ago, retail prices were up five percent, according to this series, and they were highest since the inception of index in January 1931. The greatest price gains were in home furnishings, piece goods, and women's apparel, especially furs.

Wholesale During the first half of 1941 wholesale trade in the fourth district exceeded that of the corresponding period last year by 27 percent. Greatest improvement was made in the sale of machinery, equipment, and supplies. Large gains also were reported by electrical goods, furniture, and hardware dealers.

The 213 firms in this district reporting to the *Bureau of the Census* for June sold 29 percent more merchandise during that month than they did in the same period last year. Widest gains were experienced by dealers in coal, electrical goods, industrial supplies, jewelry, and metals. Compared with the previous month, dollar volume of sales during June decreased five percent.

Slight reductions in wholesale inventories were made by most reporting firms during June, but on July 1, combined stocks were 19 percent larger than those of a year ago.

June collections were up 37 percent from those of the same month a year ago, or slightly more than sales volume increased. Eighty-two percent of accounts receivable on June 1 were collected during the month, compared with 75 percent in the corresponding period last year.

CONSTRUCTION

Construction contracts awarded in the fourth district during the first six months of this year totaled $285,106,000, according to *F. W. Dodge Corporation* data. This represented a gain of $83,883,000, or 41 percent, over those of the same period of last year. It was the best first half for the construction industry since 1930. Residential building was up 25 percent and was largest in dollar volume since 1928. United States Housing Authority projects in this district accounted for a great proportion of the increase. During the first six months of this year contracts for low-rental and defense housing aggregated $12,568,000, or 15 percent of the total of such building for 37 Eastern States and eleven percent of all residential construction in this area. Gains also were experienced in speculative building. Contracts awarded for one- and two-family houses for sale or rent were up 58 percent over those of the first half of last year, while contracts for similar dwellings for owner occupancy rose only 18 percent.

For the month of June, residential building awards were 14 percent greater than in the corresponding month of 1940. Gains were also made in nonresidential building, especially in the commercial and factory classifications. These increases were responsible for making the total volume of construction contracts awarded during June the largest for that month since 1930. However, as compared with May, there was a decline of 19 percent in contract value, resulting partly from decreases in the amount of heavy engineering and public building started and from a 13 percent drop in residential construction.

There has been a marked expansion in manufacturing and commercial building, especially in the Northern Ohio area, where factory construction contracts awarded in June totaled $8,603,000, a gain of 85 percent over May and more than six times those of June last year. For the district as a whole, the total in June was two percent higher than in the previous month and nearly 3½ times as great as that of a year ago.

During June, publicly-financed nonresidential construction accounted for 35 percent of all such building, while in the previous month only nine percent of this type of construction had been financed with Government funds. A year ago 16 percent of all nonresidential building was publicly sponsored. There was no change in the amount of Government-financed residential construction during the first six months of this year as compared with the same period of 1940. In both cases 15 percent of the total was publicly financed.

Lumber dealers in the district reported in mid-July that shipments have continued well ahead of those at this time last year. Difficulty in obtaining material has been experienced in some cases, and inventories of several firms were the smallest in recent months. Supplies of furniture woods have been reduced only moderately because chiefly the top grades of logs have been used for defense purposes.

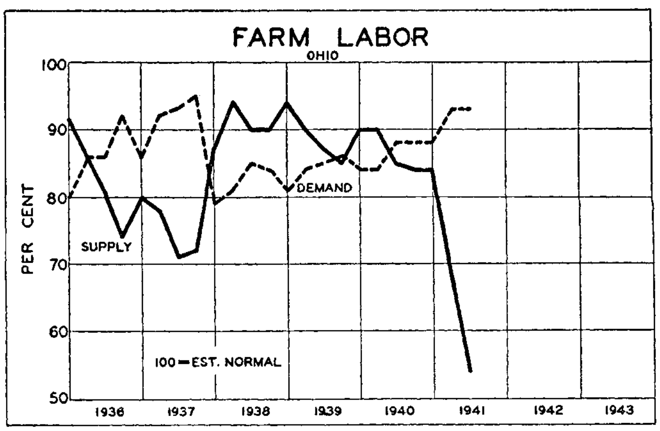
AGRICULTURE

Rains throughout practically the entire fourth district during the first weeks of June ended a long dry period. Farm conditions, which had declined rather sharply the month previous, improved substantially. Late in June and the first half of July the weather was fair, permitting field work to progress satisfactorily. Crop prospects on July 1 were good to excellent over most of the district. By mid-month rain was needed in several localities, while in others it was much too wet.

The accompanying table shows prospective production of principal fourth district crops, based upon the July 1 condition report of the *Department of Agriculture* and the acreage then remaining for harvest. All of these crops, with the exception of corn, were expected to be smaller than those of 1940, despite the fact that a slightly greater acreage is under cultivation this year. Indicated yields per acre of corn and potatoes were considerably larger than those of a year ago, but this was not true in the case of the other crops. In the majority of instances, prospective harvests were above the 1930-39 average, estimated production per acre being greater. Marked curtailment below the ten-year average of acreage planted to both burley and cigar filler tobacco and to potatoes for market has reduced expected harvests of those crops.

PRINCIPAL CROPS—FOURTH DISTRICT

	July 1, 1941 estimate	1940 harvest	% change 1941 from 1940	1930-39 ten-year average harvest	% change 1941 from ten-year average
Corn, bushels	203,146	160,404	+26.6	170,557	+19.1
Wheat, bushels	47,133	47,428	— 0.6	44,883	+ 5.0
Oats, bushels	56,290	57,472	— 2.1	53,126	+ 6.0
Tame Hay, tons....	5,215	5,978	—12.8	4,393	+18.7
Tobacco, pounds ...	101,089	123,150	—17.9	125,434	—19.4
Potatoes, bushels ..	19,010	20,132	— 5.6	19,827	— 4.1



Farm Labor As the accompanying chart indicates, there was a further sharp decline in the supply of Ohio farm labor between April 1 and July 1. Whereas on the earlier date the supply was calculated to be 73 percent of demand, at the beginning of the harvest season it represented only 58 percent of reported demand. A similar situation prevailed in other States, parts of which comprise the fourth district. In fact, there was considerably less farm help available on July 1 in this region than at any other time since the late 1920's. Construction of numerous defense projects in various localities where industrial working forces have been more or less limited has resulted in a particularly heavy drain on farm labor which has been attracted by the higher wages and shorter hours offered in both the building and production fields. The selective service also has reduced the number of younger farm workers. These conditions have resulted in markedly higher farm wage rates; the general level on July 1 was 60 percent above the 1910-14 "parity base" average, according to the *Agricultural Marketing Service.*

Wheat Wheat harvest was started in Kentucky by mid-June; a month later practically all of the fourth district crop was cut. Combines were used more extensively than heretofore in many sections, due to the scarcity of farm labor. Rain hindered threshing in a few localities, and the grain sprouted in some shocks that had not stood up well. Losses did not appear particularly heavy, and quality generally was good to excellent.

Wholesale and Retail Trade

(1941 compared with 1940)

	Percentage Increase or Decrease SALES June 1941	SALES first 6 months	STOCKS June 1941
DEPARTMENT STORES (95)			
Akron	+24	+26	+21
Canton	+26	+34	a
Cincinnati	+ 8	+14	+21
Cleveland	+14	+19	+20
Columbus	+12	+13	+20
Erie	+21	+20	+13
Pittsburgh	+10	+13	+11
Springfield	+14	+23	a
Toledo	+12	+14	+14
Wheeling	+17	+18	+10
Youngstown	+23	+24	a
Other Cities	+18	+27	+16
District	+13	+17	+16
WEARING APPAREL (15)			
Cincinnati	— 8	+ 8	+ 3
Cleveland	+ 2	+ 9	+ 5
Pittsburgh	+ 1	+ 6	+ 4
Other Cities	+ 7	+14	+16
District	+ 1	+10	+ 8
FURNITURE (40)			
Canton	+33	+33	
Cincinnati	+38	+36	
Cleveland	+16	+27	
Columbus	+23	+18	
Dayton	+24	+17	
Toledo	+44	+51	
Other Cities	+22	+45	
District	+23	+29	
CHAIN STORES*			
Drugs—District (5)	+ 8	+12	
Groceries—District (4)	+17	+18	
WHOLESALE TRADE**			
Automotive Supplies (12)	+21	+17	— 4
Beer (6)	+ 5	+16	+25
Clothing and Furnishings (5)	— 2	+21	a
Confectionery (4)	+ 2	+10	a
Drugs and Drug Sundries (6)	+14	+ 4	—0—
Dry Goods (5)	+26	+20	+ 2
Electrical Goods (20)	+66	+64	+43
Fresh Fruits and Vegetables (6)	+20	+ 5	+22
Furniture & House Furnishings (4)	+28	+46	+ 6
Grocery Group (41)	+10	+11	a
Total Hardware Group (34)	+43	+49	+29
General Hardware (11)	+30	+32	+26
Industrial Supplies (12)	+94	+88	+47
Plumbing & Heating Supplies (11)	+47	+49	+35
Jewelry & Optical Goods (6)	+54	a	a
Lumber and Building Materials (4)	—0—	a	a
Machinery, Equip. & Sup. (excl. Elec.) (6)	+29	+93	+ 8
Meats and Meat Products (6)	+23	+15	+38
Metals (5)	+89	a	+22
Paints and Varnishes (5)	+18	+23	+ 9
Paper and its Products (7)	+17	+18	— 4
Tobacco and its Products (17)	+ 6	+ 8	+ 1
Miscellaneous (11)	+17	+31	+ 1
District—All Wholesale Trade (213)	+29	+27	+19

* 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

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	June 1941	% change from 1940	Jan.-June 1941	% change from 1940
Bank Debits—24 cities $	3,258,000	+33	17,906,000	+26
Savings Deposits—end of month:				
40 banks O. and W. Pa. $	793,730	+ 1		
Life Insurance Sales:				
Ohio and Pa. $	84,982	+10	505,592	+ 6
Retail Sales:				
Dept. Stores—95 firms $	30,679	+13	171,692	+17
Wearing Apparel—15 firms $	1,051	+ 1	6,499	+10
Furniture—40 firms $	1,448	+23	7,667	+29
Building Contracts—Total $	51,477	+39	244,813	+41
" " —Residential $	21,730	+14	102,914	+25
Commercial Failures—Liabilities $	351	—60	5,264	— 8
" " —Number	41	— 2	368	+ 1
Production:				
Pig Iron—U. S. net tons	4,551	+19	27,064	+29
Steel Ingot—U. S. net tons	6,801	+20	40,912	+39
Auto—Passenger Car—U. S.	418,983b	+46	2,427,602b	+20
Auto—Trucks—U. S.	101,538b	+73	568,209b	+42
Bituminous Coal, O., W. Pa., E. Ky. net tons	17,523	+28	86,135	+ 3
Cement—O., W. Pa., W. Va. bbls.	1,466	+16	6,353	+20
Elec. Power, O., Pa., Ky. thous. k.w.h.	2,194c	+21	10,823d	+17
Petroleum—O., Pa., Ky. bbls.	2,095c	— 9	10,139d	— 9
Shoes pairs	e	+14	e	+16
Tires, U. S. casings	6,363	+24	34,581	+13
Bituminous Coal shipments:				
L. E. Ports net tons	6,968	— 4	14,355	—24

a not available
b actual number
c May
d January-May
e confidential

Debits to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended July 16, 1941	% change from 1940	Year to Date Dec. 26, 1940 to July 16, 1941	Year to Date Dec. 28, 1939 to July 17, 1940	% change from 1940
Akron	92,600	+31.5	614,229	476,546	+28.9
Butler	12,584	+29.9	81,482	65,640	+24.1
Canton	51,465	+34.3	347,362	259,020	+34.1
Cincinnati	423,778	+30.3	2,809,029	2,258,899	+24.4
Cleveland	803,541	+33.3	5,295,158	4,084,787	+29.6
Columbus	197,280	+20.9	1,402,050	1,226,951	+14.3
Dayton	91,440	+36.0	625,381	481,316	+29.9
Erie	39,097	+33.5	251,976	196,449	+28.3
Franklin	3,869	+34.8	26,063	21,613	+20.6
Greensburg	9,553	+14.0	59,543	52,718	+12.9
Hamilton	14,189	+25.0	97,635	77,626	+25.8
Homestead	4,673	+24.1	28,114	24,029	+17.0
Lexington	20,993	+ 3.9	169,878	167,308	+ 1.5
Lima	16,667	+19.9	116,202	97,711	+18.9
Lorain	6,513	+13.6	42,774	36,611	+16.8
Middletown	13,642	+14.8	99,045	80,271	+23.4
Oil City	11,470	+27.4	72,822	71,144	+ 2.4
Pittsburgh	880,078	+28.3	6,160,960	4,714,446	+30.7
Sharon	10,743	+23.2	73,681	57,180	+28.9
Springfield	20,868	+27.6	144,406	116,209	+24.3
Steubenville	11,369	+12.5	75,609	67,710	+11.7
Toledo	163,329	+38.6	1,080,486	851,586	+26.9
Warren	16,216	+55.7	104,933	70,888	+48.0
Wheeling	33,497	+ 8.9	227,032	187,281	+21.2
Youngstown	65,677	+27.6	426,695	340,617	+25.3
Zanesville	10,201	+17.0	67,948	58,987	+15.2
Total	3,025,332	+29.7	20,500,493	16,143,543	+27.0

Fourth District Business Indexes

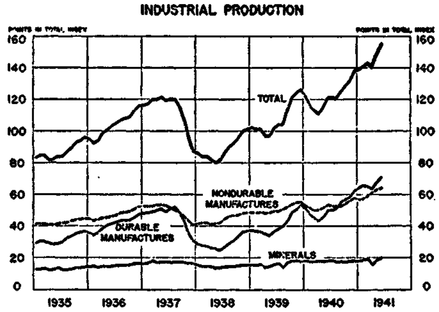
(1923-25 = 100)

	June 1941	June 1940	June 1939	June 1938	June 1937
Bank debits (24 cities)	120	91	81	74	98
Commercial Failures (Number)	28	29	43	62	37
" " (Liabilities)	8	20	21	28	49
Sales—Life Insurance (O. and Pa.)	88	81	75	72	99
" —Department Stores (48 firms)	105	93	82	75	95
" —Wholesale Drugs (6 firms)	114	100	100	98	109
" " Dry Goods (5 firms)	57	45	45	36	51
" — " Groceries (41 firms)	83	76	75	75	88
" — " Hardware (34 firms)	139	97	81	72	102
" — " All (86 firms)	95	77	72	69	86
" —Chain Drugs (4 firms)*	112	104	89	89	94
Building Contracts (Total)	108	78	85	52	73
" " (Residential)	126	111	119	54	55
Production—Coal (O., W. Pa., E. Ky.)	97	76	65	47	75
" —Cement (O., W. Pa., E. Ky.)	122	105	97	80	94
" —Elec. Power (O., Pa., Ky.)**	261	216	187	171	190
" —Petroleum (O., Pa., Ky.)**	113	125	126	122	129
" —Shoes	109	95	105	86	117

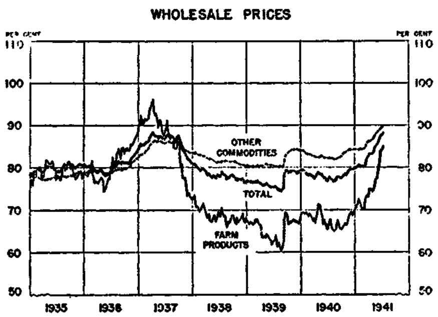
* Per individual unit operated
** May

Summary of National Business Conditions

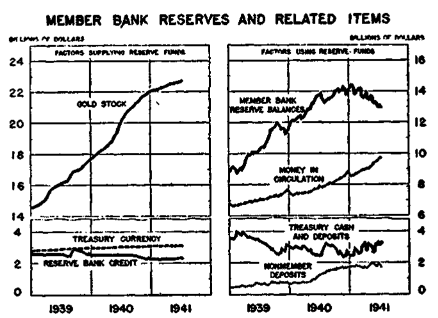
By the Board of Governors of the Federal Reserve System



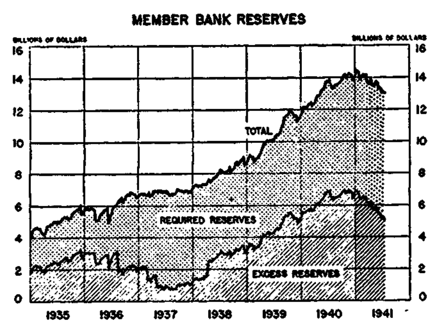
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to June 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending July 12, 1941



Wednesday figures, January 4, 1939 to July 9, 1941



Wednesday figures, January 2, 1935 to July 9, 1941. Required and excess reserves, but not the total, are partly estimated

Industrial production increased further in June, continuing the rapid advance that began about a year ago. Commodity prices, both in retail and in wholesale markets, rose considerably between the early part of June and the third week of July.

Production

Reflecting the continued advance in industrial activity at a time when output ordinarily declines, the Board's adjusted index advanced from 150 per cent of the 1935-1939 average in May to 156 in June and preliminary estimates indicate a further rise in July. The current level compares with 104 before the start of the European war and 111 in the spring of 1940, when the current advance in industrial activity began.

Further increases in output were reported in June for a considerable number of industries, particularly those associated closely with the defense program, and there were no important declines. As in other recent months, activity in the aircraft, shipbuilding, machinery, and railroad equipment industries rose sharply. Automobile production was maintained at the high level of May, owing mostly to unusually large retail sales. Output of iron and steel and nonferrous metals, already close to capacity, did not show an increase to correspond with the rise in output of finished metal products and official statements indicated growing concern over shortages of numerous materials. Steel ingot production remained close to 99 per cent of capacity during June, but the rate in the middle of July was slightly lower. For the year to date output of steel has averaged 98 per cent of the rated capacity as of December, 1940.

Output of textiles and most other nondurable manufactures in June continued at recent advanced levels, which in some instances represent capacity production. Output of chemicals continued to increase rapidly. Also, there was a sharp rise in rubber consumption, reflecting continued heavy demand for rubber products and the fact that June was the last month before curtailment of rubber consumption by industry was to go into effect and was the month to be used in apportioning July consumption among various manufacturers.

Mineral production increased in June, with a marked rise in output of anthracite, some further increase in output of bituminous coal, and a continued advance in crude petroleum production to a new high level.

Value of construction contract awards in June continued at the high level reached in May and was nearly two-thirds above a year ago, according to figures of the *F. W. Dodge Corporation.* Awards for public construction again increased sharply, reflecting continued expansion in the volume of defense construction projects. Private residential building contracts declined somewhat more than seasonally, following an increase in May.

Distribution

Sales of general merchandise showed little change from May to June. Department store sales decreased more than seasonally, while rural retail and variety store sales remained at the May level, although a decline is usual at this time of the year. In the early part of July sales at department stores rose somewhat and were 24 per cent higher than a year ago.

Loadings of revenue freight increased further in June, reflecting continued expansion in shipments of coal and miscellaneous merchandise, and by the end of the month were in larger volume than at any time during the seasonal peak last autumn.

Commodity Prices

Wholesale prices of most groups of commodities continued to advance from the early part of June to the middle of July. Prices of foodstuffs showed large increases and there were substantial advances in prices of a number of industrial raw materials and finished products. Following earlier marked advances, prices of hides and cotton gray goods were reduced by Governmental action. Retail prices for foods and many other commodities have been rising and in June the cost of living was about 4 per cent higher than 4 months earlier. Preliminary figures indicate further advances in July.

Bank Credit

Holdings of United States Government securities by member banks in 101 leading cities increased further during June and early July, reflecting in part new offerings by the Treasury. Commercial loans continued to rise sharply.

Notwithstanding the greater volume of bank loans and investments, deposits of city banks declined somewhat over the period, reflecting mainly a growing demand for currency and a building up of Treasury deposits at the Reserve Banks. These developments also resulted in a decrease in the volume of excess reserves, which amounted to about $5,300,000,000 on July 16, compared with $6,900,000,000 a year earlier.