

MONTHLY BUSINESS REVIEW

Covering financial industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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An increasing number of dislocations in industrial operating schedules has been noted in the fourth district during recent weeks as additional output of basic industries is devoted to purposes closely related to defense. Curtailment and even cessation of production have resulted in a few lines of manufacture, if not by Governmental action, then from material shortages. While large raw material inventories accumulated by many companies earlier this year perhaps have permitted a high rate of activity to be maintained in certain instances, this policy of accumulating probable requirements far in advance of actual needs undoubtedly has been one of the principal factors necessitating those steps various Governmental agencies have taken to assure a more satisfactory flow of materials into defense channels.

A new type of priority that requires producers to accept any order directly or indirectly connected with defense activity even though it involves postponement or cancellation of nondefense orders already on books was announced for pig iron, steel, copper, and chromium early in August. Later the regulation was extended to all manufacturers, producers, distributors, and dealers and broadened in scope to embrace all materials and equipment ordered for defense purposes.

There was no noticeable change in the volume of new inquiries received by the fourth district steel industry immediately following the original Governmental order, but companies generally booked only those carrying high priority ratings.

Schedules of fourth district automotive parts and accessories factories were curtailed in July coincident with the model changeover. They were expanded considerably the following month, despite scarcities of some materials. A joint Office of Production Management and Office of Price Administration and Civilian Supply order limits passenger car output of the entire automobile industry during the first four months of the new model year to 73.4 percent of the same 1940 period. Late August indications were that concerns in this district supplying the volume producers of passenger cars probably would be affected to a greater degree than those making parts for the so-called independents because the former are required to put output somewhat more than the others and truck manufacturers have been requested to assemble more vehicles this year than last.

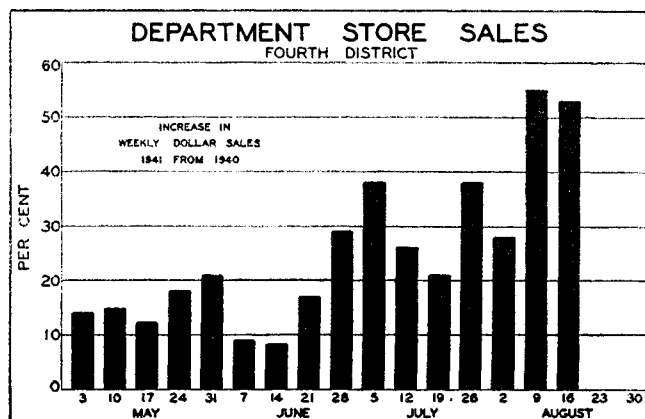
The Governmental order specifying the quantity of

crude rubber processors might use each month caused some slackening of activity in the tire industry in August. Major companies found it necessary to reduce the length of the work week in departments producing passenger car casings, and some further curtailment was expected since new automobile output has been restricted. Production in mechanical goods and truck tire divisions was increased due to defense orders.

An extraordinarily large amount of building and engineering work was contracted for in this district the last week in July. For the entire month, dollar volume was at a fourteen-year peak. Much of this construction was publicly-financed.

Industrial employment in many of the principal manufacturing centers of the district was increased somewhat further during July, in several instances to new high levels. Defense industries generally absorbed more workers than were laid off in other lines. Hours were reduced in a few cases, with the result that aggregate payrolls in some localities were smaller in July than in June.

Retail trade has continued to expand contraseasonally. July dollar sales at reporting fourth district department stores, on a seasonally adjusted basis, were at an all-time high level, exceeding the late 1929 peak by a substantial margin. The upswing was more pronounced early the following month. August ordinarily has been a dull merchandising period, but as is shown in the accompanying chart, year-to-year increases registered in the first two weeks of the month were the largest in history, being well over 50 percent. The buying wave, which appears to be at least



partly speculative, was set off by the priority order on silk and the impending curb on installment sales. It was not limited to special lines, but appeared to be store-wide in scope, according to reports.

FINANCIAL

Consumer Credit The financial development in the past month most deserving of comment was the release of Regulation W by the Board of Governors of the Federal Reserve System dealing with consumer credit, or installment loans and installment sales credits.

The issuance of the regulation is one of the necessary steps toward carrying out the terms of the President's Executive Order of August 9. Its objective is to assist in the adjustment of public demand to the available supply of certain articles, the production of which requires the use of quantities of materials urgently needed for military and naval purposes. By regulating the terms of installment credit it is contemplated that the demand for such items will be dampened so that further effectiveness may be given to other means for checking advances in prices, and to devoting materials, manufacturing facilities, and manpower more intensively to the defense effort.

The regulation was prepared by the Board following frequent conferences which have been held not only with Governmental agencies, but also with practically every important organization dealing with consumer credit. It is quite general in its terms and reflects a policy of flexibility.

The regulation applies, in general, to any person who is engaged in the business of making extensions of installment credit or of discounting or purchasing obligations arising out of extensions of installment credit. It applies whether the person so engaged is acting as principal, agent, broker or otherwise, and whether the person is a bank, loan company, or finance company, or a person who is so engaged in connection with any other business, such as by making such extensions of credit as a dealer, retailer, or other person in connection with the selling of consumers' durable goods.

The supplement to Regulation W, which may be changed from time to time, lists the maximum credit values and the maximum maturities on consumer credit extended in connection with the sale of consumers' durable goods. The maximum maturity on all such loans is 18 months at the present time. The maximum credit value, in percent of the base price, is 66 2/3 percent in the case of automobiles, aircraft, power boats, outboard motors, and motorcycles; 80 percent on mechanical refrigerators, washing machines, ironers, vacuum cleaners, stoves, heaters, dish washers, sewing machines, radios, phonographs, musical instruments, and room air conditioners; 85 percent on furnaces, plumbing, and other new household equipment generally, including furniture, but excluding floor coverings, draperies, and similar merchandise. With respect to material and services, other than those previously mentioned, needed for repairs, alterations, and improvements upon real property in connection with existing structures, providing the deferred balance does not exceed \$1,000, there is no limitation as to the maximum credit value in percent of the total amount involved. The maximum time, however, is 18 months.

Regulation W issues a general license authorizing any person affected by the regulation to conduct his business, subject to such license, to the end of this year. The terms

of the regulation with respect to extension of credit and terms are effective September 1, with certain minor exceptions. Before January 1, 1942, however, it will be necessary for each person subject to the regulation to file an application for an individual license with the Federal reserve bank of the district in which the principal office of the licensee is located.

Federal Reserve Bank of Cleveland has established in each of its three offices a separate department to administer the new regulation and to which inquiries may be addressed. The Cleveland office is located in Room 602, Federal Reserve Bank building. Copies of Regulation W are available for distribution upon request, and applications for individual licenses will be obtainable from Federal Reserve Bank of Cleveland or its branches in Cincinnati and Pittsburgh in the near future.

Tax Anticipation Notes

Sale of the Treasury's two series of tax anticipation notes, with the Federal reserve banks acting as fiscal agents, began on August 1. The purpose of these notes is to make available to the Treasury tax funds which will not be due until next year and to help taxpayers set aside tax money during the year in which earned. Series A notes, which are acceptable in payment of income taxes up to \$1,200 in any one year, earn about 1.92 percent interest per year. Up to August 27, sales of these notes in the fourth district amounted to \$1,245,000. These notes are available through local banks in denominations of \$25, \$50, and \$100.

Series B may be purchased in any amount up to the total of income taxes due. They earn a rate of interest of about .48 percent per year and are available in denominations from \$100 to \$1,000,000. Through August 27, sales of Series B bonds in this district aggregated \$91,000,000, the largest single purchase being \$12,000,000.

Defense Bonds

The slight decline in sales of Series E defense bonds in August from the July level reflected in part a shift to the purchase of tax anticipation notes. Through August 27, sales totaled \$5,509,000 in the fourth district through all channels except post offices. This exceeded sales in the entire months of May and June, but was below the July figure for a comparable period by \$986,000. Sales of Series F and G defense bonds also were in smaller volume in August than in preceding months.

Member Bank Credit

After rising to an all-time peak on July 30, demand deposits of weekly reporting member banks in leading cities of the fourth district declined by \$40,000,000 in the first week of August. Much of this contraction was recovered in the two following weeks, however, and on August 20 adjusted demand deposits were only slightly below the July level, and they were \$231,000,000 larger than at the beginning of the year. The decrease in early August was attributable in part to the purchase by corporations and other income tax payers of tax anticipation Series A and B notes. Time deposits of leading banks continued practically unchanged in recent weeks.

Commercial loans of leading banks expanded further in late July, but were unchanged in the first three weeks of August. The rate of increase in loans evident earlier this year has moderated. Real estate loans were unchanged in recent weeks and other loans declined somewhat. Investments of these member banks, both in Government and

other securities, expanded in the four weeks ended August 20, with the greater share of the increase in the latter type of security.

Reserves

Member bank reserve deposits with the reserve bank fluctuated considerably in the four weeks ended August 20. On the latest report date they were little changed from the July level, whereas compared with a year ago they were up \$134,000,000. During July, the latest period for which data are available for all banks, both required and excess reserves increased, chiefly as a result of transfers of funds to banks in reserve cities from other districts. Country bank reserves showed little change.

Note

Circulation

Further increases in money in circulation were also reflected in demand for notes from the reserve bank. The gain in the four weeks ended August 20 was more than \$20,000,000. This slightly exceeded the weekly rate of increase so far this year of just over \$4,000,000. On the latest date note circulation was \$126,000,000 larger than at the beginning of the year and 37.5 percent greater than a year ago at this time.

MANUFACTURING, MINING

Iron and Steel

Considerable confusion existed in industry following promulgation of the new type priority order on steel which originally was to become operative September 1. Consumers continued to inquire for large tonnages, but by mid-August it became evident that steelmakers were reluctant to accept orders which later might have to be canceled. Prior to that time bookings at big centers like Pittsburgh and Cleveland were exceeding manufacturers' capacity by as much as 20 to 30 percent. Interest was greatest in semi-finished items, rods and bars, and plates.

Governmental action similar to that on steel was taken with respect to pig iron, effective August 1. Under this order, producers are required to set aside a certain portion of their output each month for a defense pool. September allocation will be two percent. Little change in the fourth district pig iron situation was evident by late August, though some foundries working primarily on defense items reportedly were securing more prompt shipments of the raw material.

While pig iron output established an all-time record at 153,749 net tons daily in July, steel ingot production, also on an average daily basis, declined slightly for the second consecutive month to the lowest level of the year. Producers made 220,054 net tons per day during July, compared with 226,691 tons in the previous month. In contrast with a year ago, however, daily output was up 19 percent.

Whether because of the reportedly critical scrap situation or the necessity for repairing furnaces, steelmaking operations in recent weeks have been unable to regain the virtual capacity rates reported regularly in the early spring. Mills in this district since mid-May have been running at about 97 percent of calculated capacity, more than two points under the record March rate. Blast furnace activity has been maintained practically unchanged for the past two months; 102 of the 106 stacks in the fourth district were in blast on August 1, the same as a month before. Late in August, a furnace which had not been operated since April was relighted.

With iron production at a new peak, July ore consumption was the heaviest for any month in history. The 175 active blast furnaces depending primarily upon Lake Superior ore used 6,497,442 gross tons during July, nearly 1,000,000 tons more than a year ago.

Thirteen Canadian bulk freighters augmented the 292 vessel American Great Lakes ore fleet in July, with the result that 11,390,488 gross tons of ore were brought down the Lakes. This is a new record for a single month. By late August, at least two more Canadian boats had been chartered for the ore trade between United States ports; permission also was granted operators to load vessels more heavily, indicating that the record ore movement would continue.

Approximately 5,000,000 tons were added to ore inventories during July; 31,597,386 tons were stored on Lake Erie docks and at furnaces on August 1. This total compares with stocks of 28,128,054 tons on hand a year ago.

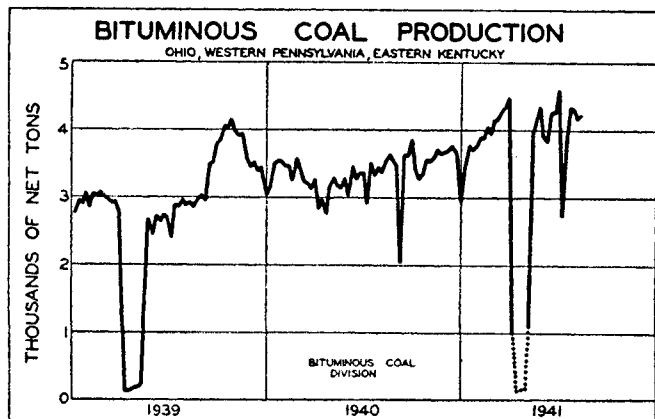
Allowing for the difference in length of the work month, steelmakers during July used three percent less scrap than in June. Actual tonnage consumption, however, increased slightly to the second highest level since monthly data became available four years ago; 4,415,000 gross tons of scrap were melted last month. This total is 247,000 tons under the March record and compares with 3,526,000 tons a year ago.

Coal, Petroleum

Numerous Governmental agencies and consumer organizations are conducting extensive campaigns urging all coal users to buy and store as much fuel as possible before October when rail movements of other products are expected to be unusually heavy. This publicity evidently has stimulated demand greatly, for mining activity in the fourth district was expanded considerably late in July. Weekly output, as is indicated in the accompanying chart, has been at the highest levels in several years, with the exception of the March pre-strike period. Operators, according to reports, recently have reopened a number of old mines that had been closed for some time, particularly in the West Virginia Panhandle and Eastern Ohio fields. Quite a few small truck mines also have resumed operations.

During July, 17,142,000 net tons of bituminous coal were produced in the fourth district, more than in any similar month since 1929. Chiefly as a result of vacation closings over the July Fourth week end, last month's output was two percent smaller than that of June.

Less coal was shipped from Lake Erie docks to north-



ern ports during July than in June or last year. The 6,600,644 net ton total compares with 6,968,320 tons in the previous month, and 7,078,743 tons a year ago. Somewhat larger tonnages were being loaded during the forepart of August, but by mid-month shipments for the season to date were 15 percent smaller than those of the same 1940 period.

While demand for industrial grades of coal has continued strong since early this summer, some correspondents in mid-August noted a decline in the volume of new business placed by retail dealers.

The fifth general advance in prices on Southwestern Pennsylvania crude oil since the first of the year was announced the middle of August, raising quotations to a twelve-year peak. Subsequently the Office of Price Administration and Civilian Supply established maximum prices at levels prevailing before the latest increase. Demand for this high quality lubricating oil has been unusually heavy, and crude stocks have been reduced to the lowest level since 1929. Production recently has been approximately 60,000 barrels per day, apparently the capacity of the Pennsylvania field.

Automobiles Automobile manufacturers during July maintained operating schedules at an unusually high level for the close of a model year; 444,103 vehicles came off assembly lines in this country, compared with 231,703 a year ago. There was virtually no suspension of activity in the industry for model changeovers. Most companies started turning out 1942 models early in August, and weekly output of American and Canadian factories did not fall below 39,950 units. Last year, production averaged 20,900 cars per week during the corresponding month.

For the industry as a whole, the 1941-model year ended in July, despite the fact that one of the volume producers continued to assemble these models well into August. Surpassing 1940-model output by more than 1,000,000 units, United States automobile makers in the year just completed produced approximately 5,200,000 passenger cars and trucks. This extraordinarily large total has been exceeded just once before—in the 1929-model year, and then by only a very small margin.

Although deferred shipments from some fourth district parts and accessories factories did not account for such a large proportion of total deliveries in the first part of August as in the previous month, final assembly operations at several automotive plants reportedly were hampered by failure of parts shipments to arrive on schedule. Such conditions were ascribable almost entirely to the tight raw materials situation. Suppliers in this district have experienced considerable delays in the receipt of such products as strip steel and copper.

Finished goods inventories of a few supply and accessories makers at the end of July were substantially larger than those of a month before due to the addition of items essentially complete, but lacking some small yet necessary part made of a metal not available. Raw material stocks also were up; in a number of instances, they were not well proportioned as to manufacturing requirements.

Retail demand for new cars has continued to be unusual for this season. Dealers' deliveries during July and the forepart of August ran sharply ahead of those of a year ago. Registrations in several cities of this district in July declined only moderately from the relatively high levels of the previous month, and in some localities more second-

hand cars were sold last month than during June.

Dealers generally reduced showroom stocks of new cars rather drastically early in August, but inventories of used cars were not greatly changed.

Rubber and Tires

The Government recently announced various regulations which definitely control trading in crude rubber and its consumption by processors. Late in June, the Rubber Reserve Company became the sole buyer of crude rubber exported to the United States from the Far East. Subsequently the agency offered to sell from its inventories in this country on the basis of 22½ cents per pound for the prime grade, or slightly below the price prevailing prior to the announcement early in August. While no limitations had been imposed by the last week of the month upon crude rubber imported from tropical America, Africa, or Oceania, other than the British and Dutch possessions, the amount available on the so-called free market was small, and there was virtually no trading.

Under terms of the original order restricting consumption, tire and mechanical goods manufacturers were to use one percent less crude rubber during July than they had consumed on the average during the twelve months, April 1940-March 1941. This quota later was revised upward from 56,400 tons to 67,900 tons. Processors actually used 68,653 gross tons. By comparison with other months, July ranked fifth from a consumption standpoint, being exceeded only by the four immediately preceding periods. A quota of 53,500 tons was assigned for August.

Although July crude rubber imports were up sharply to 97,081 tons, the third largest on record, a somewhat greater proportion was consigned to dealers' and manufacturers' inventories than in other recent months. These additions represented commitments made before the order which limits trading to the Rubber Reserve Company was promulgated. Combined stocks held in the United States on August 1 were the largest ever reported—395,216 tons, or 2¼ times as much as was stored here a year ago. Of this total, the Rubber Reserve Company owned 218,844 tons.

Tire makers, with the approval of the Office of Price Administration and Civilian Supply, raised wholesale list prices late in July. Prior to that time, deliveries to distributors and dealers, compared with those of immediately preceding periods, varied considerably as among individual companies, a few shipping more than in June, others less. In recent weeks some adjustment of deliveries to production volume appears to have been worked out by most concerns. While shipments of original equipment casings were seasonally smaller in July than in June, they were approximately 2¼ times as large as those of a year ago.

For the industry as a whole, manufacturers' tire inventories on August 1 were at the lowest level in nine years. Stocks, in numerous instances, reportedly are not well distributed, and certain of the less commonly used sizes and types are rather scarce.

Textiles and Clothing

Fourth district textile and needlework factories were being operated on a full-time basis during July and early August, filling the large volume of orders for fall and winter merchandise. Manufacturers reportedly have been able to contract for all the business they wish in what is ordinarily a dull period.

The clothing industry has experienced difficulty in obtaining raw materials, and this has resulted in reducing

inventories to a point lower than usual for this time of year. Replacements for sewing machines and other mechanical equipment have become increasingly hard to obtain, and a shortage in silk thread has arisen as a result of the Government priority on silk. Finished goods' inventories were not exceptionally large because shipments to retailers were being made earlier this year than in the recent past.

One of the critical problems in the industry recently has been the question of labor supply. There is a shortage of skilled help, and the selective service and competition from defense industries have resulted in a greater labor turnover.

Activity in the overall and cotton work garment trade last month was approximately the same as that of the previous month, but there was nearly a twofold gain in the rate of operations over that of July 1940. Inventories of raw materials have increased somewhat, while those of finished goods have been reduced slightly. Shipments are well ahead of those of a year ago.

Other Manufacturing An increased number of manufacturing concerns in other important fourth district industries experienced delays in the receipt of materials, parts, or supplies in July and early August. While a few companies curtailed activity as a result, production schedules generally were maintained at the high levels of other recent months. In the Pittsburgh area, operations were expanded to a new peak. Such seasonal industries as shoes had no slack period this summer. Labor turnover has become a more pressing problem, especially for consumers goods' manufacturers in localities where defense industries are expanding.

Metal Industries Temporary shortages of materials and vacation closings caused a decline in machine tool shipments last month. In a few instances, rearrangement of production schedules necessitated by changes in priority ratings also were a contributing factor. During July, the industry, according to the *National Machine Tool Builders' Association*, shipped products valued at \$57,900,000. While this is eight percent less than was delivered to users in the previous month, the total compares with shipments of \$31,500,000 during July 1940. Machine tool builders recently have had some difficulty obtaining such materials as ball bearings and alloy steel of required sizes, despite the industry's A-1 blanket priority rating. These items are needed by airplane manufacturers as well.

Foundries recently have had considerable difficulty in obtaining proper grades of scrap. Numerous small plants have curtailed activity or suspended operations.

Principal electrical equipment and appliance manufacturers in this district booked a slightly smaller volume of new business during July than the month previous. Backlogs were increased further, however, since incoming orders exceeded shipments. The majority of orders on hand reportedly represented those for items to be used for defense purposes. One large company closed its household refrigerator plant early in August and announced that working forces would be reduced one-fourth when operations were resumed. A producer of vacuum cleaners and home laundry equipment has curtailed employment about one-third, as much as output has been cut.

Glass, Dinnerware While less safety glass was ordered by the automobile industry last month than in June, a seasonal development, other flat glass sold in larger volume.

Commercial plate glass production, the major portion of which goes to auto body builders, declined one-third to 12,463,000 square feet from June to July, compared with 8,522,000 square feet a year ago. Window glass makers cut output only two percent between June and July, producing 1,281,000 boxes, each containing 50 square feet of glass, last month, or 29 percent more than was made in July 1940. According to correspondents in mid-August some further decline was expected during the next few months. Metal, lumber, and paper, required by the industry, have become rather hard to get. Pressed and blown glassware manufacturers have had a difficult time securing machinery and various other kinds of equipment.

The dinnerware division of the ceramics industry probably has been affected less by material allocations and shortages than most others. Clays, even those that are imported, have been relatively plentiful. Potteries in mid-August were being operated at practical capacity, with enough orders on hand to maintain this rate for several months.

Paper, Paperboard Operating at 102.3 percent of calculated capacity, mills the second week in August produced more paper than during any other single week on record. Many fine paper makers in this district at that time had what were reported to be adequate stocks of pulp on hand. Manufacturers of coarser grades, however, were experiencing some difficulty in obtaining satisfactory quantities of waste paper. Order volume, in both instances, was up sharply in July from the previous month and a year ago. At least one large producer was distributing on a quota basis. Consumers were centering attention on deliveries.

Unfilled orders held by members of the *National Paperboard Association* in mid-August were the largest in recent years, despite the fact that mill output reached successive all-time peaks.

Shoes Fourth district shoe factories increased output considerably more than seasonally last month, making more than in any other July on record. In fact, production was the third best for a single month since 1923, being exceeded only in August 1927 and March 1937. Many companies were not actively soliciting new business; operations were being maintained on the basis of orders taken in the spring.

Office Furniture and Equipment Operations at plants manufacturing office furniture and equipment in July and early August were hampered by scarcities of certain items, notably steel and paper. Raw material inventories consequently were being reduced gradually, for output was well maintained.

TRADE

Retail The seasonally adjusted index of fourth district department store sales reached 117 percent of the 1923-25 average in July, the highest point for any month on record. Compared with a year ago, dollar volume of sales advanced 30 percent. Fur departments sold 90 percent more merchandise, and sales of major household appliances were up 58 percent. All other departments, with the exception of gloves, experienced gains during July. Business in basement stores was only 21 percent better this July than last, indicating a tendency toward "trading up".

The July gains were extended in August, normally a dull period, and in the first two complete weeks increases of 53 percent in total dollar sales were experienced at leading stores in this area. This was the largest gain ever recorded. Areas in which defense activity has been most

pronounced have shown increases up to 85 percent recently. Practically all lines of merchandise were in demand.

A greater proportion of recent sales has been for cash, since on August 1 accounts receivable were only 16 percent larger than those of a year ago. Installment sales represented eleven percent of the larger total sales in July, as against nine percent in the corresponding month of 1940.

Inventories were expanded two percent contraseasonally during July, and at the month end they were 25 percent greater than those of a year before. The seasonally adjusted stocks index was 87 percent of the 1923-25 average, seven points higher than in June. Outstanding orders were over twice as large as those of last year.

Other lines of trade also continued to register improvement during July. Wearing apparel shops sold 23 percent more merchandise this July than a year ago, and sales at furniture stores were up 39 percent. The chain grocery trade, per individual unit operated, showed a gain of 28 percent, and sales in chain drug stores, also computed on the basis of individual stores, were nearly one-tenth greater than those of July 1940.

Wholesale

Fourth district wholesale trade in July was up 41 percent from the same period last year, according to 207 firms reporting to the *Bureau of the Census*. The increase from June to July was seven percent. Widest gains over a year ago were experienced by machinery, electrical goods, dry goods, metals, and hardware dealers. Sales of jewelry, furniture, and meats also advanced considerably.

On August 1, combined inventories of these same firms were 18 percent greater than they had been at that time last year. With the exception of metals and paper, stocks of all types of goods were larger.

Accounts receivable at the end of July were 27 percent larger than those of a year ago. Collections during the month represented 85 percent of the accounts receivable July 1, the largest proportion in the recent past.

CONSTRUCTION

The volume of construction contracts awarded in the fourth district during July aggregated \$77,025,000. This total was the largest for any month since April 1927.

Residential construction for the district as a whole was up 62 percent from that of the previous month, with the rise in the Western Pennsylvania area being 141 percent. This increase was largely due to an unusual amount of United States Housing Authority construction contracted for last month. In the same locality the volume of contracts for factory buildings was nearly ten times larger

than that for June; there was also a substantial increase in commercial building. These gains contributed to the 56 percent expansion in dollar volume of total nonresidential construction in fourth district areas from that of the previous month, despite the fact there was a sharp decline in Northern Ohio. The greatest activity in residential building occurred in the placing of contracts for houses for sale or rent. In some parts of the district, construction of dwellings for owner-occupancy was less than that of either June or last July.

A greater proportion of construction work started in this district was publicly-financed during July than in other recent months. Whereas 57 percent of all building during June was privately-owned, only 28 percent was so financed last month. Government funds were being used for nearly one-half of all residential building and for over two-thirds of total nonresidential construction.

Lumber and building supply dealers in this district have been experiencing difficulty in obtaining materials. A shortage of dry lumber has arisen; all supplies made of metals are hard to secure; and common brick has become a relatively scarce item in some localities. This slowing up of deliveries has resulted in reduced inventories of almost all building materials.

AGRICULTURE

August 1 prospects were for a substantially better than average crop year in the fourth district. Considerable improvement in conditions was noted during the previous month. The *Department of Agriculture* raised its July 1 production estimates for all principal crops, with the exception of corn and tobacco, which suffered from lack of moisture. Heavier threshing returns than had been anticipated were received from early-harvested small grains, and indications pointed to markedly larger production of most fall crops, other than tobacco and white potatoes, than in the recent past.

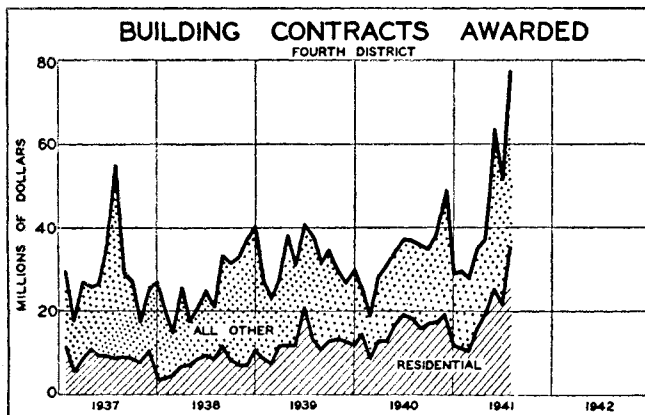
Wheat Estimated at 55,356,000 bushels by the latest Crop Report, the 1941 fourth district wheat harvest is the second best since World War years, being only about one percent smaller than that of 1931. Yields per acre in all parts of the district were sharply above the 1930-39 ten-year average as well as those of last year. Quality generally was very good. Average test weight of the Ohio crop was estimated to be 59½ pounds per measured bushel, compared with 58½ pounds in 1940.

Storage space for this year's wheat harvest was reported to be scarce in some parts of the district.

Oats This year's fourth district oats production was the second largest in a decade. The crop was relatively free from rust and heads generally were excellently filled.

Corn Over much of this district, the corn crop, which is the earliest in several years, continued to develop rapidly during the first half of July. This improvement was partially offset by unfavorable weather later in the month and early in August. At the time of the special mid-month Crop Report, however, indicated yields were still substantially above average.

Tobacco Prospects for both burley and cigar-filler tobacco improved during July, but conditions so far this year have not been particularly favorable for even average crops. Field planting was delayed in the spring due to dry weather. The crop made good growth later, but lack of moisture in recent weeks has caused considerable damage. Some of



the Kentucky burley which had been burned rather badly was being cut in mid-August. Leaves were small and quality poor.

Fruit, Vegetables Growing conditions have been fairly well suited for fruit this season. The dry weather in early spring was favorable for spraying trees, and there has been less scab damage than usual. Heavy crops of commercial apples were indicated on August 1, although additional moisture was needed for proper sizing of the fruit. Prospects were for the best peach crop in recent years; the 1940 crop was a failure. Though vineyards this year have not been infested with insects, hail and wind have damaged grapes in the Erie belt rather badly. Forecasted yields were considerably below average, particularly in Pennsylvania. While development of some field-grown vegetables has been retarded by the dry weather and cool nights in many localities, fairly good yields have been had from most truck crops, and quality generally has been high. Potatoes in numerous localities are blight-infected and not well sized.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	July 1941	% change from 1940	Jan.-July 1941	% change from 1940
Bank Debits—24 cities	\$3,257,000	+30	21,163,000	+27
Savings Deposits—end of month: 40 banks O. and W. Pa.	\$ 792,571	+ 1	a	
Life Insurance Sales: Ohio and Pa.	\$ 88,586	+ 5	594,178	+ 6
Retail Sales:				
Dept. Stores—95 firms	\$ 26,345	+30	198,037	+19
Wearing Apparel—16 firms	\$ 864	+23	7,405	+12
Furniture—39 firms	\$ 1,266	+39	8,817	+32
Building Contracts—Total	\$ 77,025	+110	321,838	+53
—Residential	\$ 35,141	+94	138,055	+37
Commercial Failures—Liabilities	\$ 761	-58	6,025	-20
—Number	47	-32	415	- 4
Production:				
Pig Iron—U. S. net tons	4,766	+17	31,830	+27
Steel Ingot—U. S. net tons	6,822	+19	47,734	+36
Auto—Passenger Car—U. S.	343,748b	+104	2,717,350b	+26
Auto—Trucks—U. S.	100,355b	+69	668,564b	+44
Bituminous Coal, O., W. Pa., E. Ky. net tons	17,142	+16	103,277	+ 4
Cement—O., W. Pa., W. Va. bbls.	1,518	+19	7,871	+20
Elec. Power, O., Pa., Ky. thous. k.w.h.	2,187c	+24	13,010d	+18
Petroleum—O., Pa., Ky. bbls.	2,014c	- 0	12,153d	- 7
Shoes e pairs	e	+24	e	+17
Tires, U. S. casings	5,603	+17	40,184	+14
Bituminous Coal shipments: L. E. Ports net tons	6,601	- 7	20,955	-19

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

Wholesale and Retail Trade

(1941 compared with 1940)

DEPARTMENT STORES (95)	Percentage Increase or Decrease		
	SALES July 1941	SALES first 7 months	STOCKS July 1941
Akron	+39	+28	+33
Canton	+48	+36	a
Cincinnati	+26	+15	+25
Cleveland	+33	+20	+30
Columbus	+25	+15	+29
Erie	+38	+22	+21
Pittsburgh	+23	+14	+17
Springfield	+29	+24	a
Toledo	+26	+16	+39
Wheeling	+36	+20	+14
Youngstown	+35	+25	a
Other Cities	+39	+28	+30
District	+30	+19	+25
WEARING APPAREL (16)			
Canton	+28	+21	+15
Cincinnati	+15	+ 9	+ 4
Cleveland	+24	+11	+20
Pittsburgh	+13	+ 7	+10
Other Cities	+32	+13	+33
District	+23	+18	+16
FURNITURE (39)			
Canton	+55	+36	+39
Cincinnati	+61	+39	+27
Cleveland	+27	+27	+26
Columbus	+29	+26	+29
Dayton	+67	+25	+60
Toledo	+60	+52	+52
Other Cities	+48	+45	+48
District	+39	+32	+32
CHAIN STORES*			
Drugs—District (5)	+ 9	+12	+ 6
Groceries—District (4)	+28	+19	+58
WHOLESALE TRADE**			
Automotive Supplies (10)	+35	+19	+ 6
Beer (5)	+43	+20	+58
Clothing and Furnishings (4)	+33	+22	a
Confectionery (3)	+ 3	+ 9	a
Drugs and Drug Sundries (7)	+ 8	+ 5	+ 1
Dry Goods (6)	+73	+26	+11
Electrical Goods (14)	+85	+66	+39
Fresh Fruits and Vegetables (6)	+28	+ 9	+24
Furniture & House Furnishings (4)	+41	+45	+22
Grocery Group (45)	+18	+12	+20
Total Hardware Group (33)	+60	+51	+31
General Hardware (12)	+46	+34	+32
Industrial Supplies (12)	+89	+88	+26
Plumbing & Heating Supplies (9)	+53	+50	+42
Jewelry & Optical Goods (7)	+41	a	a
Lumber and Building Materials (3)	-12	a	a
Machinery, Equip. & Sup. (exc. Elect.) (8)	+90	+93	+22
Meats and Meat Products (5)	+47	+19	+45
Metals (5)	+85	a	- 1
Paints and Varnishes (5)	- 8	+18	a
Paper and its Products (7)	+31	+20	- 6
Tobacco and its Products (16)	+20	+10	+ 5
Miscellaneous (14)	+59	+36	+ 1
District—All Wholesale Trade (207)	+41	+29	+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.

Fourth District Business Indexes

(1923-25 = 100)

	July 1941	July 1940	July 1939	July 1938	July 1937
Bank debits (24 cities)	120	92	80	73	99
Commercial Failures (Number)	32	47	48	46	33
(Liabilities)	17	41	21	43	30
Sales—Life Insurance (O. and Pa.)	92	88	67	64	89
—Department Stores (48 firms)	85	67	63	59	71
—Wholesale Drugs (7 firms)	111	103	97	91	103
—Dry Goods (6 firms)	67	39	32	27	43
—Groceries (45 firms)	88	75	68	66	82
—Hardware (33 firms)	142	89	71	61	95
—All (91 firms)	100	74	64	60	79
—Chain Drugs (4 firms)*	113	105	90	90	99
Building Contracts (Total)	162	77	79	44	115
(Residential)	204	105	78	49	50
Production—Coal (O., W. Pa., E. Ky.)	95	82	64	49	73
—Cement (O., W. Pa., E. Ky.)	126	106	114	94	91
—Elec. Power (O., Pa., Ky.)**	260	209	188	166	188
—Petroleum (O., Pa., Ky.)**	109	109	119	119	131
—Shoes	140	113	113	100	116

* Per individual unit operated
** June

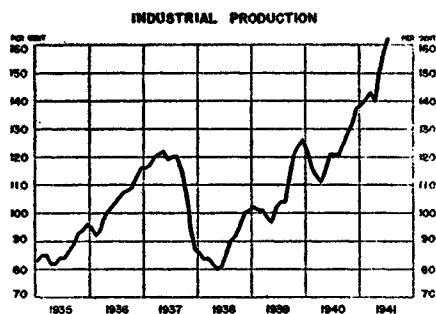
Debts to Individual Accounts

(Thousands of Dollars)

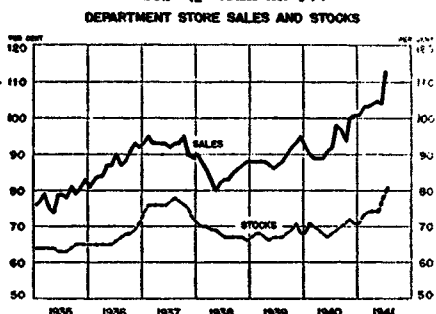
	5 Weeks ended August 20, 1941	% change from 1940	Year to Date		% change from 1940
			Dec. 26, 1940 to Aug. 20, 1941	Year to Date Dec. 28, 1939 to Aug. 21, 1940	
Akron	118,934	+44.7	733,163	558,717	+31.2
Butler	15,508	+41.9	96,990	76,572	+26.7
Canton	65,020	+46.9	412,382	303,268	+36.0
Cincinnati	493,680	+37.4	3,302,709	2,618,045	+26.2
Cleveland	994,234	+38.3	6,289,392	4,803,938	+30.9
Columbus	271,316	+27.6	1,673,366	1,439,525	+16.2
Dayton	112,050	+45.3	737,431	558,453	+32.0
Erie	51,716	+44.0	303,692	232,356	+30.7
Franklin	4,481	+40.2	30,544	24,809	+23.1
Greensburg	11,834	+25.0	71,377	62,187	+14.8
Hamilton	18,559	+44.2	116,194	90,496	+28.4
Homestead	5,406	+22.6	33,520	28,438	+17.9
Lexington	22,816	+11.9	192,694	187,703	+ 2.7
Lima	20,856	+22.2	137,058	114,777	+19.4
Lorain	8,055	+25.7	50,829	43,020	+18.2
Middletown	19,515	+37.1	118,560	94,510	+25.4
Oil City	14,695	+33.8	87,517	82,127	+ 6.6
Pittsburgh	1,073,681	+31.7	7,234,641	5,529,752	+30.8
Sharon	13,327	+28.0	87,008	67,590	+28.7
Springfield	25,770	+33.7	170,176	135,490	+25.6
Steubenville	14,569	+30.3	90,178	78,890	+14.3
Toledo	199,871	+41.4	1,280,357	992,925	+28.9
Warren	19,961	+55.8	124,894	83,696	+49.2
Wheeling	36,928	+ 8.0	263,960	221,470	+19.2
Youngstown	79,332	+32.3	506,027	400,583	+26.3
Zanesville	12,623	+24.4	80,571	69,126	+16.6
Total	3,724,737	+35.2	24,225,230	18,898,463	+28.2

Summary of National Business Conditions

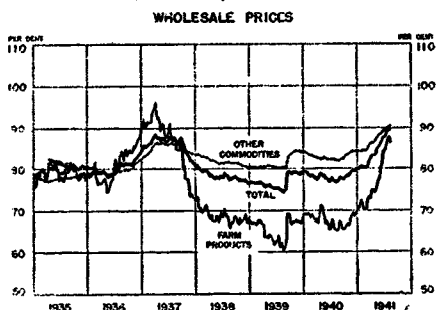
By the Board of Governors of the Federal Reserve System



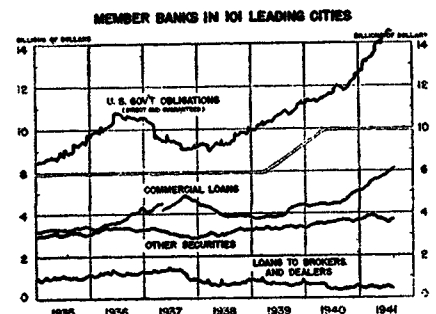
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to July 1941. Latest figure—162 (preliminary).



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to July 1941. Latest figures—Sales 115, Stocks 81.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending August 16, 1941. Latest figures—All Commodities 89.6, Farm Products 86.4, Other Commodities 99.7



Wednesday figures, January 2, 1935 to August 13, 1941. Latest figures (millions of dollars)—Government Obligations 14,559, Other Securities 3,652, Commercial Loans 6,146, Loans to Brokers and Dealers 457.

Industrial activity in July and the first half of August was maintained at the high level reached in June. Wholesale commodity prices advanced further and distribution of commodities to consumers was in exceptionally large volume.

Production

Volume of industrial output showed little change from June to July. Reductions in activity at automobile factories and steel mills were largely offset in the total by further increases in the machinery, aircraft, shipbuilding, and lumber industries. The Board's adjusted index, which includes allowance for a considerable decline at this season, advanced from 157 to 162 per cent of the 1935-1939 average.

Steel production, which in June had been at about 98 per cent of capacity, declined to 96 per cent in July, owing in part to holiday shut-downs at some mills. In the first half of August steel output was again at about 98 per cent of capacity. Automobile production in July declined less than usual but in the first half of August there was a sharp reduction as most plants were closed to prepare for the shift to new model production. Activity in the nonferrous metals industries continued at a high rate. Early in August copper, pig iron, and all forms of steel were placed under complete mandatory priority control as it became evident that actual demand for these metals could not be fully met.

In the wool, cotton, and rayon textile industries and at shoe factories activity in July was maintained at or near the peak levels of other recent months and production of chemicals rose further. Output of manufactured foods increased less than seasonally from the high level reached in June.

Coal production declined slightly in July but as in June was unusually large for this time of year. Crude petroleum production was maintained at about the high rate that had prevailed in the previous two months.

Value of construction contract awards in July increased further to a level more than two-fifths higher than a year ago, according to F. W. Dodge Corporation reports. The rise reflected chiefly a continued increase in contracts for public construction, mostly defense projects. Private residential building contracts increased somewhat, although there is usually some decline at this season, while awards for other private building declined further from earlier high levels.

Distribution

Sales at department stores and in rural areas declined by much less than the usual seasonal amount in July and variety store sales increased further. In the first half of August department store sales rose sharply.

Total loadings of revenue freight in July and early August showed little change from the advanced level reached in June. Grain shipments, which had been larger than usual in May and June, increased less than seasonally and loadings of coal declined somewhat.

Commodity Prices

The general index of wholesale prices advanced about 2 per cent further from the middle of July to the middle of August, reflecting sharp increases in prices of a number of agricultural and industrial commodities. Federal action to limit price increases was extended to additional basic materials, including burlap, silk, rayon fabrics, rubber, and sugar, and in the early part of August prices of these commodities in domestic markets showed little change or were reduced. On the other hand, prices for paper-board, automobile tires, and cotton yarns and gray goods were advanced with Federal approval; prices of textile products not under Federal control continued to rise; and there were considerable increases in prices of lumber, other building materials, and chemicals. On August 16 it was announced that for Southern pine maximum prices somewhat below recent high levels would become effective on September 5.

Agriculture

Agricultural production in 1941 may exceed that in any previous year, according to indications on August 1, and carryovers of major crops are unusually large. Crops of wheat and other leading foodstuffs are expected to be exceptionally large, while substantial declines in production are indicated for the major export crops—cotton and tobacco. Although the cotton crop is estimated at 10,600,000 running bales, or 1,800,000 bales less than last season, total supplies of cotton will be about the same owing to a larger carryover on August 1. Marketings of live-stock and livestock products, except hogs, will be substantially above last year.

United States Government Security Prices

After advancing to the highest levels on record, prices of both taxable and partially tax-exempt Treasury bonds declined somewhat in the first part of August.